

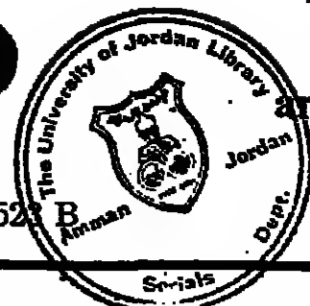
# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Friday April 8 1983

No. 29,043

D 852 B



Snia Viscosa  
takes up  
arms, Page 19

## NEWS SUMMARY

### GENERAL

## Concern over U.S. Nicaragua reserves policy

Covert U.S. involvement in Central America could become a major political issue in Washington, the State Department fears.

The Department was yesterday reported to have raised with the White House questions about the legality of U.S. backing for right-wing rebels fighting the Sandinista Government of Nicaragua from bases in Honduras. Leaders of El Salvadoran oppositionist organisations, Congressmen and questions fresh aid for El Salvador, Page 8

### Win of confidence

The French Government won by a comfortable 323 to 155 margin its confidence vote after a stormy debate in the National Assembly. Page 3

### Nkomo's son freed

Tulani Nkomo, son of self-exiled Zulu leader Joshua Nkomo, was freed by Zimbabwe authorities after being held for a month on suspicion of having helped his father flee the country.

### Life sentence

Jerusalem district court jailed Alan Goodman for 40 years for a shooting spree which killed two people and injured 30 at the Dome of the Rock mosque in Easter Sunday last year.

### Male excess

China is experiencing an epidemic of female infanticide, which has created a surplus of five to one between males and females in some areas. An official survey says this is because of the policy of limiting families to one child. Page 4

### Sporting casualty

French sports federations have been asked by the Government to cut all links with South Africa. First casualty is likely to be a national rugby team tour planned for June.

### Soviets detained

British military authorities in West Germany briefly detained a number of Soviet army officers driving near the Netherlands border.

### Record heroin haul

A Frankfurt customs officer seized the largest amount of heroin ever found in West Germany, 39.4kg, in a routine baggage search at the airport.

### Spy suspect on bail

Italian magistrates freed Soviet businessman Victor Komolov, arrested on military spying charges in February, on bail of £50m (\$80,000).

### Tanzanian purge

Three senior Tanzanian officials were sacked for failing to carry out government directives against economic saboteurs.

### Three shot dead

Three people were shot dead when gunmen attacked the home of a leader of the youth wing of the ruling Uganda People's Congress and three prominent people were abducted in the same area.

### Briefly...

North Korean Politburo member Rim Chun-Chu was elected one of three vice-presidents.  
Former Rhodesian premier Ian Smith was given a British passport.  
Earthquake measuring six on the Richter scale shook part of Tadzhikistan in Soviet Central Asia.

### BUSINESS

## French currency reserves recover

BANK OF FRANCE's foreign exchange reserves were reconstituted by more than \$5bn in the week immediately following last month's devaluation of the franc within the EMS, a far more pronounced recovery than after the last two devaluations. Page 3

● TOKYO: Nikkei Dow index lost 36.95 to close at 3,424.5 and the Stock Exchange index was down 2.98 at 610.67. Report, Page 29; prices, Page 32.

● LONDON: FT Industrial Ordinary index rose 8.3 to 672.2. Government Securities were little changed at 81.81. Page 29; FT Share Information Service, Pages 34, 35.

● WALL STREET: Dow Jones index closed up 4.16 at 1117.05. Page 29; full share listings, Pages 30-32.

● GOLD fell \$2 to \$425.5. In Frankfurt it fell \$2.75 to \$423.75 and in Zurich it fell \$1 to \$428.5. In New York the Comex April settlement was \$425.4 (\$429.6). Page 33

● STERLING lost 75 points to close at \$1507. It was also down at DM 3.6425 (DM 3.66). SwFr 3.085 (SwFr 3.105). Ffr 10.91 (Ffr 10.955) and Y237.6 (Y239.5). Its trade-weighted index was 80.6 (80.9). In New York sterling closed at \$1.50325. Page 36

● DOLLAR closed at DM 2.4155 (DM 2.415). SwFr 2.046 (SwFr 2.05). Ffr 7.24 (Ffr 7.2375) and Y237.6 (Y237.2). Its trade-weighted index was 122.3 (122). In New York the dollar closed at DM 2.41825, Ffr 7.25, SwFr 2.05 and Y238.025. Page 36

● SWEDEN's Riksbank is to lower its discount rates from 9 per cent to 8.5 per cent today.

● SOVIET UNION could overtake South Africa as the world's largest gold producer, Nato conference was told. Page 18

● MALTA has made a Me10m (\$13.4m) loan to China to finance coal development schemes.

● BOEING U.S. jet airliner builder, will move immediately to counter any formal decision by European consortium Airbus Industrie to launch a 150-seater project, the A-320. Page 7

● ABBOTT LABORATORIES, major U.S. health care and pharmaceuticals group, reported record first quarter results up 17.9 per cent to \$75.2m.

● INTERNATIONAL THOMSON Organisation, energy, publishing and travel group, reported net earnings for last year up 18.4 per cent on almost unchanged trading profits. Lex, Page 18

● THORN EMI, a leading supporter of the Japanese VHS videocassette system, is considering supplying programming material for the rival Philips LaserVision system. Page 9

● FLEKSI-VAN Corporation, New York-based transportation leasing company, is seeking a buyer to help it escape the clutches of West Coast financier David Murdoch. Page 19

● CITROEN car plant at Ruimsig, near Paris, was paralysed by strikes for the second day.

● HONG KONG commodity exchange chairman Peter Soles was asked to resign. Page 20

● MYER emporium, launched a cash and paper bid for Grace Brothers Holdings at AS3.35 a share or AS21.3m (\$184.7m) for the company. Page 19

● CRA, the Australian mining and metals group which is 57 per cent owned by Rio Tinto Zinc of the UK, plans to increase the par value of its shares from AS0.50 to AS2.00 by capitalising AS652m (U.S.\$366m) of its asset revaluation reserves. Authorised capital is to be increased from AS300m to AS1.5bn.

## Warsaw Pact 'prepared to negotiate' on missiles

BY LESLIE COLT IN BERLIN AND REGINALD DALE IN WASHINGTON

THE WARSAW PACT said it is prepared to "constructively examine" proposals put forth by Nato for the removal of medium range and tactical nuclear weapons in Europe.

The conciliatory statement followed the Soviet Union's rejection of President Ronald Reagan's proposal of an interim missile agreement which would have provided for the number of warheads on both sides to be below the 572 which the United States plans to deploy on medium range missiles in Western Europe.

A communique issued after a two-day meeting of Warsaw Pact Foreign Ministers said the alliance is prepared to negotiate with Nato to remove medium range and tactical nuclear weapons from Europe.

The pact expressed its readiness to negotiate although it said there had been no progress at the Soviet-American talks in Geneva to reduce the level of medium range missiles in Europe.

The Warsaw Pact ministers stressed the role which Europe could play in achieving mutual security and co-operation. This appeared to indicate that Western Europeans should put greater pressure on the U.S. to make concessions at the Geneva talks.

The communique spoke warmly of the "forces of peace," apparently referring to the recent disarmament marches in Western Europe. It added that the Pact hoped Nato will act "positively" on its proposal made last January to conclude a non-aggression treaty with Western alliance.

The Foreign Ministers of the Soviet Union and Eastern Europe said they discussed the "earliest possible" start of direct negotiations between the two military blocks on freezing defence expenditures and then reducing them.

The communique said the Madrid follow-up conference to the Helsinki security and co-operation conference of 1976 should conclude a final document as soon as possible, which would be "substantive and balanced."

It said the time had come to conclude the work of the Madrid follow-up meeting, including the question of convening the conference on confidence building and security building measures as well as disarmament in Europe.

The Warsaw Pact document sharply criticised the U.S. for its nuclear missiles policy but refrained from using the tough language of Soviet leaders in recent days. Soviet Defence Minister Marshal Dmitri Ustinov yesterday accused the U.S. of turning its European allies into "hostages" to its nuclear strategy.

While the U.S. had made a number of proposals the Soviet reaction had been "dilatory and disappointing," the White House said.

The White House statement was the latest in a string of tough anti-Soviet comments that the Reagan administration has made in recent weeks.

low-up meeting, including the question of convening the conference on confidence building and security building measures as well as disarmament in Europe.

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## VW sells Michigan plant to Chrysler and omits dividend

BY RICHARD LAMBERT IN NEW YORK AND STEWART FLEMING IN FRANKFURT

Volkswagen yesterday took a major step back from the U.S. market by agreeing to sell an unfinished assembly plant in Michigan to Chrysler Corporation. It also announced in West Germany that it would not pay a dividend for 1982, the first time since 1975 that VW shareholders will receive no payment.

It had been known for several months that the company would report a loss for 1982, and there had been speculation about a cut in dividend. Yesterday in Frankfurt the shares fell DM 5 to 176.

The sale of the Sterling Heights plant will leave Volkswagen of America with one assembly plant, in Westmoreland, Pennsylvania, where production has been cut back sharply in the past year.

Volkswagen had at one stage intended to invest \$300m in Sterling Heights, a suburb of Detroit, and had hoped to be building at a rate of up to 100,000 cars a year at the plant by the 1983 model year. But at the end of 1981, with its U.S. sales coming under serious pressure, it decided to defer its production plans indefinitely.

Last year, it became known that the company was open to offers for Sterling Heights, and all the major U.S. manufacturers are thought to have considered buying it. The fact that Chrysler has emerged as the buyer underlines the remarkable turnaround which has taken place at the third biggest U.S. motor manufacturer during the past two years.

Although neither side would disclose the sales price yesterday, the deal will involve a series of cash payments to Volkswagen of America over a 12-year period, and the West German-owned company will retain a security interest in the plant for the duration of the financial agreement. The building is



Dr Karl Hahn, VW chief

around 80 per cent complete, and is thought to have cost Volkswagen at least \$130m.

Chrysler said it would invest more than \$160m to prepare the plant for the production of front-wheel-drive vehicles, starting in July of next year. Hourly employment would reach 1,000 when the plant reached an output of about 60 vehicles an hour on a single shift basis, and it would be equipped to build 260,000 cars a year on two shifts.

Chrysler said that the plant would be used to build a new model called the "H" car. It said this would be a four-door sedan, but would give no further details. The plant might also be used to produce a front-wheel-drive version of Chrysler's New Yorker model.

Volkswagen started production in the U.S. during 1978 with the Rabbit, which is based on the Golf model sold in Europe. But after an early success, its Rabbit sales have been badly hit by Japanese competition and a swing away from small, fuel-efficient cars.

Sales of Volkswagen's U.S.-produced cars last year collapsed from 162,445 to 91,186, and they have fallen by another 21 per cent to 17,405 vehicles so far in 1983.

As a result, output at Westmoreland has been cut back to 470 a day from a peak of over 1,000, and total employment has been reduced from over 5,000 to around 3,000. Mr James McLennan resigned suddenly as president and chief executive last autumn.

Volkswagen will be reporting its results in detail later this month and yesterday the company gave no official explanation for the decision to cut the dividend.

In addition to its U.S. problems, it was also losing money in Brazil until late last year. The company is also having to provide lavish support for Triumph-Adler, its office products subsidiary, which recently disclosed losses for 1982 of DM 150m and said that VW would write off loans to it of DM 100m.

Volkswagen has said that its parent company would report a profit for 1982 but that the group as a whole would report a loss.

## Brazil's surplus tops \$514m in March

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL's economic authorities were jubilant yesterday following the announcement by Sr Ernane Galvao, finance minister, that the country turned in a record \$514m trade surplus in March.

The figure is, at least, in line with the monthly surplus needed to achieve the highly ambitious target of a \$60m trade surplus this year, that the Government has set. The accumulated trade surplus in the first quarter came to \$944m, better than the total 1982 figure of \$778m.

A string of disappointing trade figures led to February's major devaluation of the cruzeiro by 23 per cent. However, the unexpectedly good performance in March should bring some relief to the many Western bankers engaged in the arduous task of keeping Brazil afloat in its external balance of payments.

The growing expectation here and abroad has been that the Government of President Joao Figueiredo will be forced to turn to the international money market within the next few months for a second "jumbo loan" to stave off default on its \$800m foreign debt.

While too much cannot be pinned on one month's figures, Brazilian officials point out that exports normally do better in the second half of the year when earnings from the main commodity crops - coffee, cocoa, soya and sugar - begin to come in.

Better news for Sr Antonio Delim Netto, the hard-headed planning minister, also came out of Mexico at the end of an apparently successful visit yesterday by Sr Carlos Viacava, Brazil's foreign trade chief.

Sr Viacava was negotiating the quinquennial of bilateral trade between the world's two leading debtors or nations on the basis of counter-trade arrangements covering Mexican oil and other products in return for Brazilian foodstuffs and industrial goods.

The Brazilian finance ministry said on Tuesday the two-way trade envisaged with Mexico could reach an annual figure of \$1bn each, compared with a total \$400m last year and \$500m in 1981.

Continued on Page 18

Editorial comment, Page 16

## BAT lifts profits to £856m

By Ray Maughan in London

BAT Industries, the UK-based tobacco giant which sells an estimated 600bn cigarettes around the world, increased its profits last year by £172m to £856m (\$1.39bn). Sales rose by 24 per cent to £11.51bn.

The impetus for the 25 per cent lift in pre-tax profits stems in large part from currency swings affecting BAT's international operations.

North American operations contributed trading profits of £38m, a £101m rise, almost half the group's total. Overall, tobacco profits contributed 73 per cent so BAT is still some way from its stated objective of lifting the non-tobacco divisions to 40 per cent of group profits.

BAT's shares gained 65p yesterday to 715p, lifting the market value of the tobacco, retailing and paper group by £38m to almost £2.6bn.

Continued on Page 18

Details, Page 21

Lex, Page 18

## Reversal for pound as shares surge

By Jeremy Stone in London

THE LONDON equity market caught the scent of a possible cut in banks' base lending rates yesterday morning, and share prices rose strongly for the second day running. At the same time, sterling's sharp recovery over the past few days turned into a modest relapse, slowing the fall in UK money market rates, and pushing the likely moment for cutting bank base rates further into the future.

The hourly harvest of the share price movements of 30 leading companies, closed at 672.2, taking its two-day rise to 18.2 points. This was only 1.4 below its record level of March 15, Budget Day. The day's star performer was BAT Industries, whose exceptional results added 10 per cent to the share company's price, giving extra impetus to the market.

Early falls in interbank interest rates gave rise to suspicions that the clearing banks might act on base rates yesterday, as the three-month rate dropped to 10 per cent. But the Bank of England's refusal of bills offered for sale by the discount houses at correspondingly audacious prices left the money markets short of around £25m (on the Bank's forecast), driving the cost of overnight money up as far as 28 per cent. This was viewed in the market as a hint not to pursue lower interest rates too hastily.

Sterling's reverse on the foreign exchange market reinforced

Continued on Page 18

London share prices, Pages 34-35; Money Markets, Page 36

## BIS criticises U.S. policy on \$ intervention

BY DAVID MARSH IN PARIS

THE BANK for International Settlements (BIS), the Basel-based institution run by the world's leading central banks, has delivered a strong and detailed attack on the U.S. Government's reticence to intervene to control the dollar on currency markets.

The rebuff of American views comes just a few weeks before a French-sponsored international study on the desirability of official currency intervention, commissioned after last year's seven-nation Versailles summit, is due to be published.

The criticism is contained in a BIS study document written by two senior staff members. Its conclusion, based on detailed analysis of past movements of the D-Mark, yen and sterling against the dollar, is that official intervention predominantly has a helpful, stabilising influence on currency movements.

Although written in technical and scholarly language - it does not for instance mention explicitly the U.S. position - the report denounces what it calls "naïve" views that intervention has to make immediate profits for the central banks concerned in order to be stabilising.

In a polite rebuttal of the views held by Dr Milton Friedman and senior U.S. Administration officials, the authors say their findings "appear to put the burden of proof on those who argue that the official role in the exchange markets has been primarily unhelpful and will continue to be so."

The document is written in an individual capacity by Dr Helmut Meyer and Mr Hiroo Taguchi. But the views and conclusion are very close to the policy of the BIS itself and of other leading European central banks.

The Reagan Administration has refused to take an active line in helping to manage the dollar exchange rate. This is on the grounds that - according to senior U.S. Treasury officials - this would amount to "rigging" the current markets.

Lately, however, following signs that the high value of the dollar has been hurting the U.S. economy, there has been a glimmer of convergence on this issue between the U.S. and European governments. The latter generally see a role for central bank intervention as part of overall policies aiming at currency stability.

The study says previous academic literature - including the work of Dr Friedman - emphasising the need for central bank intervention to be profitable has often been based on judgments which are "highly unreliable" or even "utterly meaningless."

This is because these studies fail to take account of differences in international interest rates and of changes of exchange rates over time, both of which affect the "profitability" criteria.

Instead, the BIS report focuses attention on whether intervention during 1974 to 1982 has been "stabilising" in the sense of pushing exchange rates towards an "equilibrium level" defined as the 35-month moving average of actual currency rates.

Using different, rigorously worked-out mathematical criteria, the study shows that dollar intervention by the British, West German and Japanese central banks during this period has generally "stabilised" exchange rates far more often than it has "destabilised" them.

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## EUROPEAN NEWS

Peter Bruce, recently in Leipzig, reports on an industry with an eye for technology

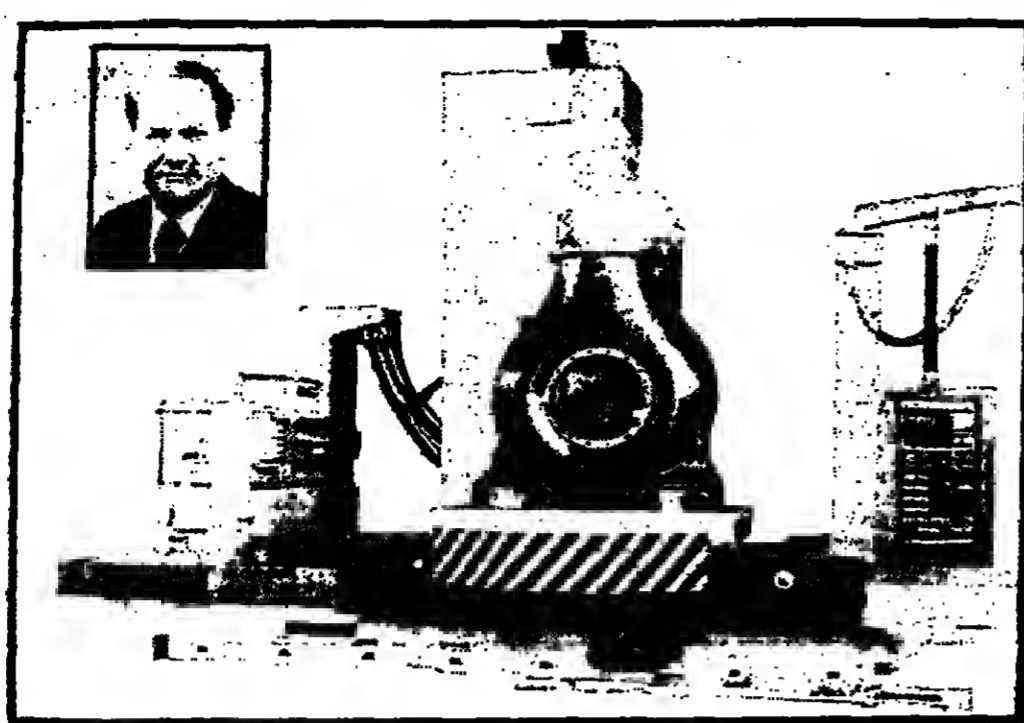
## East German machine tools: Challenge to the West

FEW PEOPLE in Eastern Europe are watching for signs of an economic recovery in the West more closely than Dr Jost Prescher, salesman-in-chief for East Germany's machine tool industry. Dr Prescher, director general of WMW Export Import, the industry's trading arm, remains cautious however. "The UK market seems to be picking up," he says, "but we will see." Like his Western competitors, Dr Prescher has seen signs of recovery, measured by the level of sales inquiries, come and go without a machine being sold. The East Germans burned their fingers in the West last year, especially in the UK where an estimated £1.4m worth of stock was hardly moved.

Unlike Western machine tool manufacturers, WMW feels it can afford to be a little more sanguine about prospects for an upturn in Western Europe. The East German machine tool industry has a virtually insatiable market in the Soviet Union.

"Demand from the USSR is endless," says Dr Prescher. "It is our fastest growing and technically most interesting market." In the past 10 years, the East Germans claim to have retrofitted completely the Soviet electric motor industry and WMW has recently signed a \$190m contract with Moscow—one of the biggest machine tool orders ever.

It is almost impossible to calculate how profitable the trade is. Dr Prescher admits that barrier arrangements are involved in a "remarkably high" percentage of sales. This probably means that almost all sales within Comecon involve compensation agreements. Barter



Dr Jost Prescher and one of his company's products

trade also extends elsewhere, including the sale recently of around 1,000 milling machines to Iran.

Despite the imposition of rigid production strategies on the East German industry by the Socialist authorities, the country has proved a natural centre for the production of sophisticated products for Comecon. The industry shares, with its West German counterpart, a tradition for export and for building specially tailored machines.

Currently, some 75 per cent of production is exported, with

nearly half the exports going to the Soviet Union and about 20 per cent to the West. As recently as 1977, exports accounted for more than 90 per cent of output. As a measure of industry's preoccupation with custom built machines (unlike the mass production of the Japanese), Dr Prescher claims to make less than 20 per cent of his exports to the West from stock.

East Germany is probably the fifth biggest producer of machine tools in the world—after the U.S., Japan, the Soviet Union and West

Germany. Its exports in 1978, worth some \$680m, were worth only a little less than those of France and Britain combined. By 1981 exports had risen to \$882m. The industry employs more than 70,000 people in 42 plants, centred chiefly around Karl Marx Stadt and grouped into four broadly specialist "kombinats" (combinates).

Despite the Soviet market, which made up for losses in the West by increasing its intake of East German machine tools by nearly 20 per cent last year, Western markets are crucial to WMW.

With the development of computer controlled flexible manufacturing systems (FMS), East German engineers privately admit they badly need a showcase for their technology in the West.

They have the technology, and claim, like a number of Western manufacturers, to have been first with FMS—having built a system for their own use in 1970. That particular system, according to Western observers, is not particularly efficient or flexible, but then neither were any of the early Western attempts.

But this early development does show a freedom to innovate without needing a return on investment which could spell trouble for Western manufacturers envious about FMS, who tend to see only the Japanese over their shoulders. Largely because East German machine tool manufacturers have had to keep up with demand for increasing sophistication from Moscow, they are now in a position to pose a serious challenge to Western manufacturers who are beginning to design and sell automated systems.

The key to their good position is an informal partnership with Asea, the Swedish robot builder. Asea and WMW have already built one FMS in East Germany and are looking for other opportunities.

WMW has quoted for three FMS systems in the UK, including one for a nationalised company, and salesmen say they have had inquiries about others. Although partnerships like the one between WMW and Asea are not uncommon in the West, observers believe the Swedish group's robot and systems expertise places the East

Germans with the leaders in FMS.

Although almost all interest in machine tools today is being generated by FMS, the systems are expensive and still regarded by industry in the West with some reserve. For the moment, the single "stand alone" machine forms by far the bulk of any manufacturer's output.

WMW salesmen and engineers acknowledge that their products are at best on a par with EEC competitors on price, but much more expensive than the Japanese in the important computer-controlled machining centre and lathe markets.

Their difficulty until now has been the enormous cost of adapting Western electronic controls to the machines they sell in the West. In the past five years the Machine Tools Ministry has spent an undisclosed sum perhaps as much as \$50m on developing their own computer controls, but these have been met with scepticism by Western buyers. For this reason, nearly all the machines sold in the West are still being fitted with Western control systems, chiefly Siemens.

With the control system accounting on average for half the cost of a complete computer numerically controlled (CNC) machine tool, the result has been to maintain WMW prices in the West at roughly 20 per cent higher than the East Germans believe they need to be.

WMW salesmen feel, however, that 1983 may present a new opportunity to establish their own control systems in Western markets. They claim, and a number of Western machine tool experts agree, that a new family of East German CNC controls broadly matches any competition.

## Consumer optimism grows in EEC

By Larry Klingler in Brussels

CONSUMERS IN the European Community are becoming increasingly "less pessimistic" about the economic outlook, according to a European Commission report published yesterday.

Households surveyed in January reported improved personal finances compared with three months ago and indicated the greatest optimism in nearly four years that inflation was being brought under control.

However, the Commission's overall "consumer confidence index" remained unchanged, reflecting a deterioration in prospects for the purchase of large durable goods.

The report follows this week's Commission survey of wider economic trends which indicated a considerable upsurge in optimism among EEC industry about the prospects for economic recovery.

Consumer opinion varied considerably by country. Views on economic prospects improved substantially in West Germany, France, Italy, Denmark, Ireland and the Netherlands, but they deteriorated noticeably in Britain and Belgium.

The Commission noted, however, that, although the UK went against the EEC trend, British consumers were still, on balance, "less pessimistic".

## Signs of recovery seen in Belgium

The Belgian Economics Ministry has reported signs that the economy may be entering the early phase of a recovery. AP-DJ reports from Brussels, in its latest monthly bulletin, the Ministry said a moderate improvement in industrial production can be expected this year.

Investments might also pick up slightly, buoyed by government incentives and an upsurge in Belgian exports. Businessmen are expecting a slight economic upturn in the first quarter, the report said, and the stabilisation of unemployment recently points in the same direction.

## Italian public employees strike

By John Phillips in Rome

SOME 300,000 Italian public employees held a day-long strike yesterday in pursuit of a new labour contract that was delayed by the long wrangling before the historic agreement on wage indexation signed in January.

More than 800 Austrian lorries were held up at the Brenner Pass and other frontier posts in northern Italy as customs officials joined the dispute. Tourism was also disrupted severely.

Government ministries, libraries and museums throughout Italy were closed by the stoppage called jointly by the three main union federations—the Communist-dominated CGIL, the Christian Democrat-linked CISL, and the Socialist-backed UIL.

The pay contracts expired in December, 1981, but the national employers' federation declined to renew them until the problem of the scale mobile system of wage indexation was resolved. The search for new two-year contracts is seen as the first major test of just how far the indexation accord will guarantee industrial peace.

So far, the unions have only risked limited industrial action, such as a one-day strike by more than 1m metalworkers last month.

Although trade unionists still use the militant language that grew out of the agitation of the 1970s, all-out strikes of the kind found in other countries in Europe almost never occur and many Italian employees say workers make up lost time with extra effort.

In other related disputes, negotiations for a contract for so-called "parastatal" employees working in semi-autonomous or Government-controlled agencies broke down early yesterday morning.

The new contracts have to be reached within the terms of the scale mobile agreement which amounted to a declaration of intent by the Government, unions and employers to try to bring down inflation to 13 per cent this year from 16 per cent in 1982.

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## Polish authorities told they must replace force with persuasion

By Christopher Bobinski in Warsaw

THE POLISH authorities will have to use persuasion and argument, rather than their present repressive methods, to combat the underground movement once martial law is lifted completely. This is the view of Col Stanislaw Kwiatkowski, head of the Government's new public opinion research centre.

Writing in Trybuna Ludu, the Communist Party newspaper, Col Kwiatkowski points out that the present "opposition is basic-

ally intellectual and it is on this field that it should be faced." He implies that the authorities are unprepared for this kind of confrontation, in which the party hardliners—"the ideological gendarmerie"—as the colonel calls them—will be of little use.

Effort should be concentrated on winning the support of the population, to isolate the opposition rather than eliminate it, he suggests.

Col Kwiatkowski says that while the police and courts will continue to serve a purpose, "force will not resolve much." Prison sentences, he implies, only serve to create martyrs.

These moderate views are noteworthy, coming as they do before a meeting later this month of the party central committee which will be devoted to ideology.

In a rare public admission recently, Col Kwiatkowski wrote

that there was hardline opposition inside the party to the present leadership, recruited, he implies, from the discredited central organisation.

His statement drew fire from a former ideological official who wrote in Trybuna Ludu that the colonel was neglecting the dangers represented by the "liberal" wing in the party.

A senior Polish planning official has reiterated the Government's interest in achiev-

ing convertibility for the zloty, the country's currency.

"The road to convertibility is long and difficult but the first steps have been taken," Mr Stanislaw Dlugosz, a deputy head of the Planning Commission, told the Zycie Warszawy newspaper.

Hungary had advanced further in the Socialist bloc towards convertibility, he said, claiming that a system of retention quotas introduced last year

had started the process in Poland.

Convertibility is one of the aims of the economic reforms instituted last year. Under the quota system, exporting companies are permitted to spend, as they see fit, a percentage of their hard currency earnings.

Normally, they would have to apply for funds to a Planning Commission steering committee. The bulk of import finance is allocated in this way.

**"It appears they want the bakery."**

TYCOM HAS CREATED A DESK TOP COMPUTER WHICH IS FUTURE-PROOF AND, BY DOING SO, HAS SHOWN THE COMPUTER INDUSTRY A WAY OUT OF A BIND THAT WAS LOOKING SUSPICIOUSLY LIKE PLANNED OBSOLESCENCE.

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## EUROPEAN NEWS

## Communist threat hangs over Mauroy's package

BY PAUL BETTS IN PARIS

THE FRENCH Government won its vote of confidence by a comfortable 323-155 in the early hours of yesterday after a stormy debate in the National Assembly.

But the victory—a foregone conclusion since the Socialists have an overall majority—was overshadowed by the growing animosity of the Communist party towards the new administration of M. Pierre Mauroy, the Prime Minister.

The Communists have warned him they are considering voting against the Government next Monday if he ignores a number of Communist amendments to the tough austerity programme. The Government, which includes four Communist ministers, will ask the National Assembly on Monday to enable it to rush through some of its new austerity measures by decree law rather than go through the traditional and far longer parliamentary process.

Uncomfortable about their disappointing showing in the recent French municipal elections and embarrassed by the Soviet spy scandal, the Communists are insisting that the Government change some of the latest austerity measures which they feel will hit low-income workers too heavily.

M. Andre Lajoinie, the Communist spokesman in the National Assembly, warned during the confidence debate that his party had strong misgivings about the use of the decree law system. Moreover, the party might not vote in favour of the government if its proposed amendments were not taken into consideration by M. Mauroy.

The Prime Minister, has suggested he may consider certain changes to accommodate some of the misgivings of the far Left and the labour unions, but he has little room to manoeuvre. He would find

harsh opposition from other important factions of the Left, not least M. Jacques Delors, the Economy, Finance and Budget Minister, should he seek to water down the package.

Reuter adds: France wants the EEG to adopt a common foreign trade policy, particularly towards Japan and the United States, to avoid the need for protectionist measures by individual countries. Mme Edith Cresson, France's Foreign Trade Minister, said yesterday. She reiterated France's commitment to free trade but added that when one country's trade balance with another deteriorated seriously, "brutal measures" were inevitable.

She was responding to a question on a possible lifting of French restrictions on imports of Japanese videotape recorders after a recent EEC-Japanese agreement about sales of the machines. She made no commitment to lift the restrictions soon.

## French reserves increase sharply

BY OUR PARIS STAFF

FRANCE's foreign currency reserves are being rebuilt in dramatic fashion. In the week immediately following last month's devaluation of the franc within the European monetary system, the Bank of France's foreign exchange reserves were reconstituted by more than \$5bn (£3.3bn).

This recovery in the level of foreign currency reserves was far more pronounced than that following the last two devaluations of the franc within the EMS.

Figures released by the Bank yesterday show that the equivalent of FFfr 34.2bn in foreign currency was added in the week of March 24-31.

Monetary officials attributed this extremely rapid reconstitution largely to technical factors. Foreign currency reserves had been depleted to defend the franc just before the latest devaluation. Dealers and foreign currency operators had sold

francs particularly heavily in expectation of the franc devaluation. They are now buying back francs at a similar rate.

The monetary officials in Paris expect the pace of reconstitution to slow down in coming weeks, however. They say France needs to increase its foreign currency reserves by an additional \$2bn-3bn to return to the level before the most recent franc crisis.

Although the latest statistics are encouraging for the French monetary and economic authorities, officials point out that the fundamental problem for the franc remains a foreign trade deficit currently running at around \$1bn a month. Balancing this drain has become a priority of the Government.

None the less, the reserves improvement means that pressure on France to draw on its \$4bn Euromarket credit will ease further.

## Travel curbs cause neighbours to tighten their belts

SPAIN, which receives more tourists from France than from any other country, is mounting a big publicity campaign north of the Pyrenees to keep the inflow going, writes David White in Madrid.

Officials believe that travel in Spain is relatively cheap enough to prevent a big fall and even hope that the country can benefit by the French tourism that more costly destinations stand to lose.

They say that the French may now turn to Spain as the only way of remaining in pocket through a foreign holiday. Thus, despite the evident concern of the tourism business, the negative impact is being played down. The campaign trade at least, is expected to thrive.

The advertising campaign is backed up by leaflets showing French families what they can do within their spending limits. The measures are expected to have more impact in the hotel business of the Costa de Sol, the Spanish Mediterranean islands, and the Canaries, than in the Costa Brava which attracts masses of low-spending French visitors.

Although the French account for a quarter of Spain's foreign visitors—almost 11m out of 40m

RESTRICTIONS on foreign holiday spending were tightened drastically in the French Easter holidays. Tourist spending in foreign currencies was limited to FFfr 2,000 (£162) per adult per year and half that for a child under 10 years. Use of private

credit cards abroad has been banned but businessmen may use company cards. French travel agents have complained the measures will hit them hard. Neighbouring countries, too, will feel the effects, as Financial Times correspondents report.

In 1982—barely half are considered genuine tourists. Many others simply cross the border on shopping expeditions.

The French also spend much less in Spain than other nationalities. In terms of hotel nights in Spain last year they accounted for little more than 5 per cent, compared with 24 per cent for British holiday-makers and 19 per cent for the West Germans.

Over the Easter weekend, passenger car traffic over the French-Spanish border actually showed a sharp increase and holiday operators detected little or no impact from the French measures. But they said it was too soon to judge the effect on summer trade.

Italian hoteliers and travel agents have already voiced alarm at the effect on their business of the French currency restrictions—perhaps forgetting that Italy has had similar restrictions in force for years, writes James Duxton in Rome. Until the announcement from

Paris they had hoped that the combination of Holy Year in Rome with the recent devaluation of the lira against the Deutsche Mark and its low level against the dollar would produce a record season, following last year's highly satisfactory one.

The impact of the French restrictions on visitors to Italy cannot yet be measured but hoteliers and restaurateurs, already counting the cost of a miserable Easter when it snowed in some hill towns of central Italy, fear that the austerity measures imposed by Paris may dash their hopes.

The French are the second most important source of tourists to Italy, after the West Germans. Each year there are about 2m registered arrivals by Frenchmen, and 8m of the 100m or so tourist-nights accounted for by foreigners in Italy are taken by French tourists. The figures show, however,

But all these cantons—mainly Geneva, Valais, Vaud, Neuchâtel and Jura—expect their tourist industries to be damaged unless President Francois Mitterrand can be persuaded to make some exceptions when he visits Switzerland on April 15-16. The Government in Bern has expressed "irritation" at what it regards as protectionist measures.

French tourists are popular in Switzerland not because of their overall numbers—with 3m nights spent in 1982 they are in third place after West Germans and Americans, but because of the regularity of their visits throughout the year. A third of their nights are spent in summer and the rest in the winter season.

Income is officially put at about SwFr 250m (£80m) a year, but the overall contribution to the economy is probably closer to SwFr 400m (£129m).

But the effects vary in the French-speaking area. Valais and Vaud will be worst hit. In the former, the French make up about a third of both nights spent and number of tourists; in the latter about half. Holiday centres such as Villars-sur-Ollon in Vaud expect serious effects on hotels, restaurants and rented flats.

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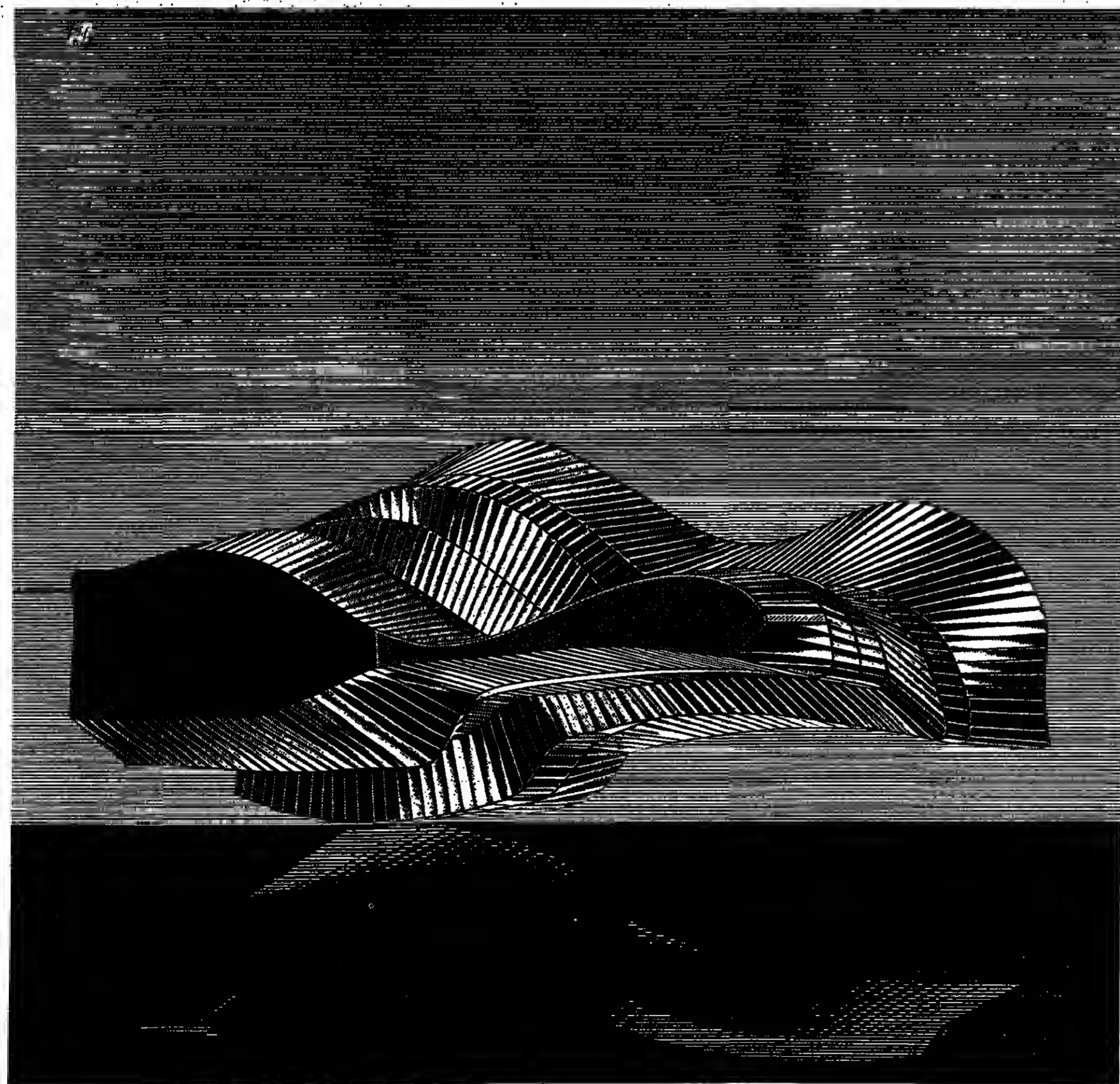
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## OVERSEAS NEWS

# Michael Thompson-Noel in Canberra reports on Australia's forthcoming national economic summit Hawke's Herculean determination is put to the test



Sir Keith Campbell (above) and Sir Arvie Parbo among top businessmen



AUSTRALIANS are by nature combative—hence their brooding disbelief at the unaccustomed calm that has gripped the continent in the five weeks since Mr Bob Hawke and his Australian Labor Party swept to an historic landslide win in the country's General Election on March 5.

There have been some diversions: Mr Hawke's 10 per cent devaluation of the Australian dollar on March 8 (a move necessitated by substantial capital hemorrhaging); a visit of the Prince and Princess of Wales; a looming constitutional showdown with the State of Tasmania over the proposed damming of the South West wilderness; and substantial falls of rain, which promise to break the country's costliest—ever drought.

On Monday this mood will change. Mr Hawke is due to open a week-long national summit meeting in Canberra the success or failure of which could colour not only the career of the Hawke Government, but also Australia's economic and business prospects until the end of the decade.

Mr Hawke says the main aim of the meeting is to help foster an attitude of national co-operation and consensus following what he calls the divisiveness of the seven-year reign of the

former Liberal PM, Mr Malcolm Fraser. His rejection by the voters was so humiliating that he has resigned from parliament altogether.

Mr Hawke hopes the summit will address itself to possible solutions to the problems that bedevil the economy, especially the future management of wages and the handling of wage claims. Next week's line-up is certainly impressive. The Government is fielding eight Ministers, while there will be 14 representatives from the six states and the Northern Territory.

The unions will be represented by the 27-member executive of the Australian Council of Trade Unions. Employer and business groups attending include the Australian Bankers' Association, the Chamber of Commerce, the Industries Development Association, the National Farmers' Federation, and the Metal Trades Industry Association.

There will also be a clutch of top businessmen, including Sir Peter Ables (Thomas Nationwide Transport), Sir Keith Campbell (Hooker Corporation), Mr Brian Keinan (CSR), Mr Brian Lorton (Erosken Hill Proprietary) and Sir Arvie Parbo (Western Mining). All told, about 100 will attend, plus advisers, observers, lobbyists and media.

At present, things are running Mr Hawke's way, for both the employers and the unions are in an optimistic mood, and ready to make concessions provided they are not seen to get egg on their faces. Tough talking is inevitable however. As a prelude to the summit, the Government yesterday published a swathe of economic data, to help convince Australians of the country's current economic plight. This exercise of "open government" has caused near seizure in the media.

The most immediate major worry is a projected federal budget deficit for 1983/84 of A\$9.6bn (£5.6bn) against an expected A\$4.3bn deficit in the current year. This is far greater than the A\$6bn projected deficit Labor thought it was inheriting, and stems mainly from a 5.6 per cent boost in real terms in projected budget outlays to

A\$54.6bn. This figure, released for the first time yesterday, is the largest real increase for almost a decade, and represents a record 31.6 per cent of forecast Gross Domestic Product. The size of the projected deficit has proved a bitter blow for Labor — jeopardising its election

large current account deficits financed largely by private capital inflows. In 1981-1982 the current account deficit was A\$8bn, or 8.1 per cent of GDP. Much tension next week will focus on wage inflation. In the 12 months to December 1982 total average weekly earnings rose by 14.8 per cent, far exceeding still further Australia's international competitiveness, and contributing to mounting layoffs, particularly in the embattled car, coal and steel industries.

Other fundamental problems that the summit must discuss include restoration of profit levels; industry and trade protection policy (particularly the feather bedding of certain key sectors); macro-economic policy; industrial relations; and job creation.

The meeting will produce a lot of hard pondering and, knowing Australians, probably a deal of hard casing.

For Mr Hawke and his Government, it will be vitally important. The authority of Mr Hawke's election win on March 8 was such that in the view of commentators, he is in a position to do almost what he chooses. Yet his options are limited, which is why, next week, his famous charisma and Herculean determination will be put fully to the test.

AUSTRALIAN FEDERAL BUDGET			
Financial year	Budget outlay (\$Abn)	Increase over preceding year (%)	Outlays as proportion of GDP (%)
1979-80	31.7	9.1	27.6
1980-81	36.3	14.6	27.8
1981-82	41.3	12.9	27.8
1982-83 (est.)	48.8	18.0	30.2
1983-84 (est.)	54.6	12.0	31.6

Source: Department of Finance

## China bans cultural exchanges with U.S. in tennis star row

BY MARK BAKER IN PEKING

CHINA HAS stepped up its attacks on the U.S. over the granting of political asylum to tennis star Hu Na by banning all planned cultural exchanges between the two countries this year.

A list of nine items cancelled includes exchanges of film exhibitions, musical and theatre groups, art exhibitions and return visits by artistic and journalistic delegations.

The move is the latest in a series of increasingly strident reactions by the Chinese. A diplomatic protest note was delivered to the U.S. Ambassador in Peking, Mr Arthur Hummel.

In its first reaction, the U.S. issued a two-line statement saying: "We deeply regret the Chinese over-reaction to the Hu Na case. Any other comment will have to come from Washington."

China's Ministry of Culture announced that the cultural ban would apply to "all remaining items of cultural exchange with the U.S." this year.

The ban will force cancellation of a U.S. film week in Peking in July,

a visit by the Juillard string quartet in August and an exhibition of art from the Brooklyn Museum. It will stop an exhibition in the U.S. by five Chinese artists.

Other events affected will be a general proposal for an exchange of a "small performing arts group", and reciprocal tours by cinematographers, journalists, foreign language publishers and groups led by the directors of Voice of America and Radio Peking.

The director of China's bureau of cultural relations, Mr Ding Gu, said the granting of asylum was "a serious political incident engineered and premeditated for a long time by the U.S. with regard to this matter."

"The U.S. Government has acted wilfully in disregard of China's just demands and, on the pretext of Hu Na's non-existent persecution, has granted her so-called political asylum," he said.

"This move by the U.S. Government is extremely unfriendly to China from a political point of view."

## Chinese infanticide epidemic confirmed

BY OUR PEKING CORRESPONDENT

AN OFFICIAL survey has confirmed indications that China is experiencing an epidemic of infanticide because of its policy of limiting families to one child.

The survey has found that in some rural areas the killing of female children by people determined to have sons has created a five to one imbalance between male and female infants.

In one production brigade of about 100 families in the central province of Anhui, 40 newborn girls were drowned in 1980 and 1981.

In another brigade in the same province eight babies were born last year. Of the five girls, three were drowned and two others were abandoned in public places.

There have been increasing numbers of reports in recent years of the killing and mutilation of female infants because of the conflict between China's tough new birth control measures and the traditional importance of male children, but there have been no detailed official figures.

The growth of the problem was indicated in last year's census, which is believed to have confirmed

an excess of male over female children in every province of China.

Official concern was underlined at the National People's Congress last November when the Premier, Mr Zhao Ziyang, said: "We must protect infant girls and their mothers. The whole society should resolutely condemn the criminal activities of female infanticide and maltreatment of mothers."

Details of the recent survey, by the All-China Women's Federation, were published in the Communist Party newspaper People's Daily, with an editorial calling for firmer action to deal with the problem.

The survey covered figures from the counties of Quixian and Huaiyuan between 1979 and 1981. From normal ratios in 1979, both counties had experienced a rapid increase in the preponderance of male infants to a level of more than 10 per cent.

The Women's Federation and the People's Daily both urged greater enforcement of the law against people who killed their children and greater efforts to educate the public. The federation "described the spate of infanticide as being caused by 'the feudal ideology of treasuring boys and slighting girls.'"

## U.S. to speed arms deliveries to Thailand

BANGKOK — The U.S. is to speed arms deliveries to Thailand, with an airlift as one of the options, a senior U.S. State Department official said yesterday.

Mr Paul Wolfowitz, U.S. Assistant Secretary of State, who had toured parts of the border with Cambodia, said he had discussed the arms shipments with Prem Tinsulanonda, the Prime Minister.

The U.S., Thailand's prime arms supplier, staged an emergency airlift into Thailand in 1980 following a Vietnamese incursion into Thai territory.

The White House is seeking from the U.S. Congress a 9 per cent increase in the arms package to Thailand for fiscal year 1984 to \$99m plus another \$2.4m in military training funds.

Thai forces have pushed all intruding Vietnamese soldiers back into Kampuchea, army

commander-in-chief Kamlang Ek said yesterday.

He said that the Thai army had found the bodies of more than ten Vietnamese soldiers on Thai soil and seized a large number of Vietnamese weapons which could be put on public display.

Moscow has told the Asian nations that Vietnam would retaliate by backing insurgent groups unless the five countries stopped opposing Hanoi's policies in the region, a Singapore commander-in-chief Arthit Kamlang-Ek said yesterday.

The warnings came from Mikhail Kapitsa, Deputy Soviet Foreign Minister, during talks with Singapore's Rajaratnam, Singapore's Deputy Prime Minister, Snnipab Dhanabalan, Foreign Minister, and senior government officials. Agencies

## Ivory Coast's \$300m World Bank loan nears

BY PETER BLACKBURN IN ABIDJAN

THE IVORY COAST is believed to be close to agreement with the World Bank on a \$300m structural adjustment loan.

The loan, an important element in the Government's \$1.2bn external borrowing programme for 1983, would be double the size of the first structural adjustment loan made in December 1981, but would be of a similar 12-month to 15-month duration.

The Ivory Coast loan is likely to be accompanied by measures to promote export industries and low-cost housing schemes. It is unlikely, however, that there will be any provision for technical assistance as the Government is cutting down its use of high-cost foreign experts.

Meanwhile, the final tranche of a three-year, SDR 484.5m extended fund facility from the IMF is due to be released shortly. In addition there is an estimated \$55m IMF reserve carried over from 1982.

The country has withdrawn temporarily from commercial markets, having borrowed massively in the late 1970s on the strength of the cocoa and coffee price boom. It continued borrowing after these markets collapsed by using its potential oil wealth as collateral.

The country's debt has caused

misgivings among bankers, especially as oil reserves are now thought to be less substantial and more expensive to exploit.

Medium-term and long-term public debt is expected to rise to \$8bn, while debt servicing is expected to jump almost a third to \$1.2bn.

In the Ivory Coast's last venture on the international capital markets, a \$150m loan for balance of payments support arranged by Bankers Trust was closed in December 1982 nearly \$30m short.

Although the Ivory Coast's debt service is forecast to swell further in 1984, Mr Leon Naka, director-general of the Government's debt management agency, says it should stabilise by 1985.

"The easing of labor rates since mid-1982 and the recent recovery of cocoa and coffee prices together with the first signs of improvement of the U.S. economy are encouraging signs," he said.

Some bankers, however, are concerned that publicity given by the official media to bush fire damage to cocoa and coffee crops — which provides more than 50 per cent of the country's export earnings — could harm the country's credit rating while giving only a brief boost to prices.

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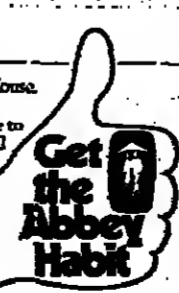
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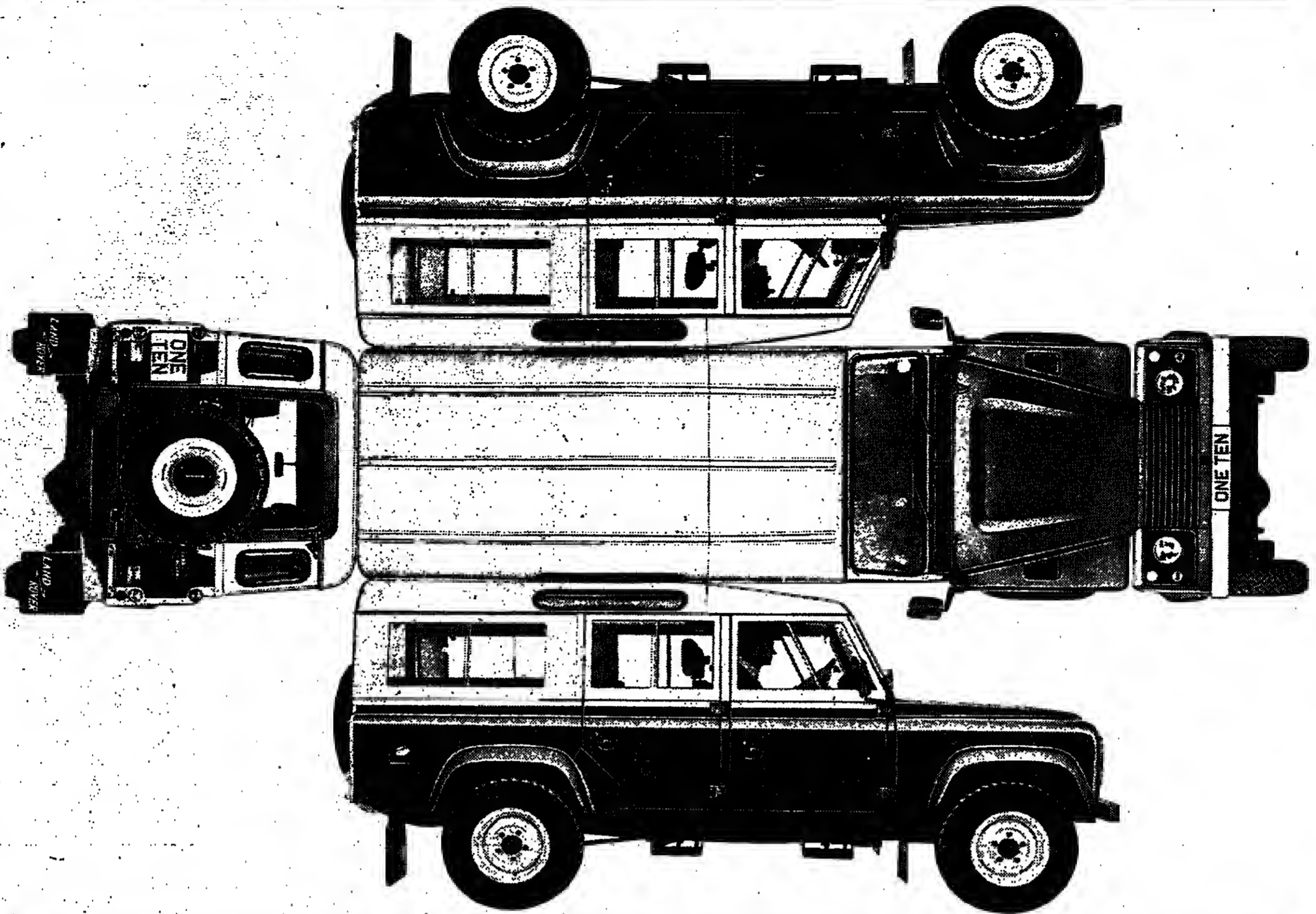
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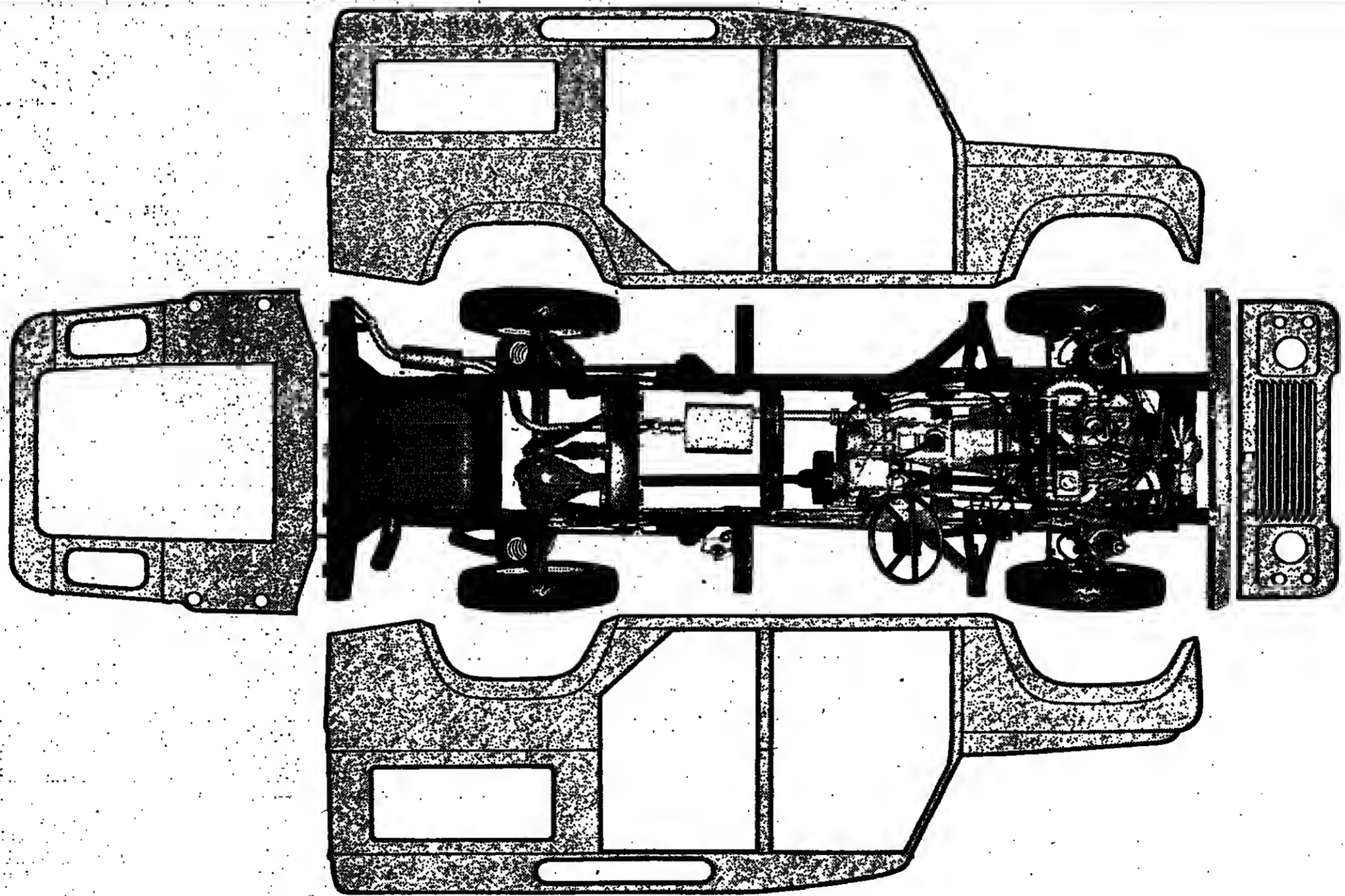
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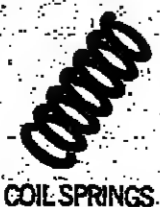
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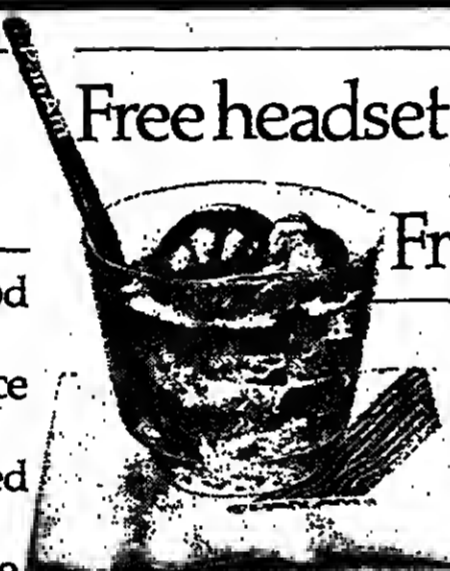
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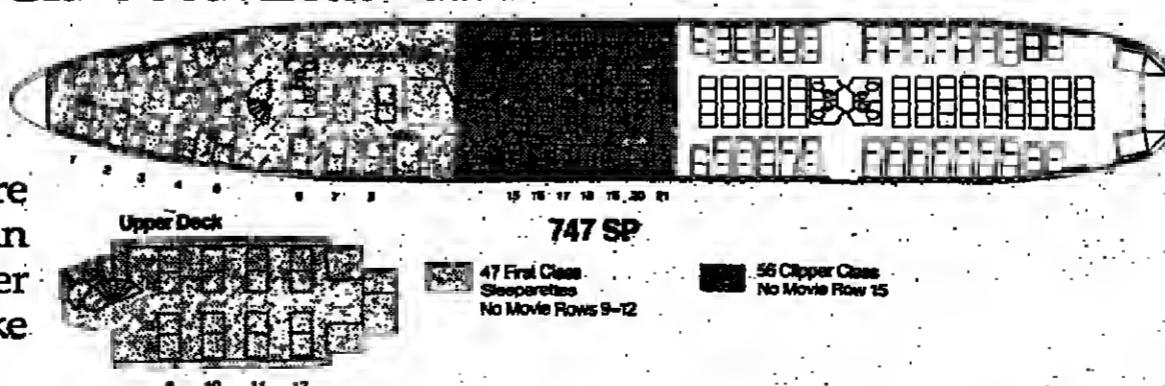
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## BL begins negotiations on Rover car plant for India

By JOHN ELLIOTT, RECENTLY IN NEW DELHI

NEGOTIATIONS have started between BL and Standard Motors of India for production of Rover saloons in India.

Standard produced Triumph Herald till the late 1970s. It still has a licence to make about 3,400 cars a year, but at present is only producing a derivative of BL's old Standard Atlas light commercial vehicle in pickup and van forms.

The plan is to assemble perhaps 3,000 Rover saloons a year which BL would deliver in knocked-down form from the UK. The engine would be a BL-designed 2.5 litre diesel already used by Standard in its Atlas vans.

Despite the company's name, there is no financial link between Standard and BL, whose Indian manufacturing activities are based on Ashok Leyland, also of Madras. Ashok makes heavy trucks and buses.

Mr Karthik Narayanan, chairman of Standard and a former president of the Indian motor manufacturers' trade association, is now trying to assemble a financial package for the Rover project before seeking Government approval.

The Government's current policy is to concentrate on small car production. Suzuki of Japan is to produce an 800cc range in partnership with Maruti, a Government-owned company, in Delhi. A 1,600cc 800cc car is also being produced in Bangalore under licence from Reliant of the UK.

At present most cars on Indian roads are derived from Mercedes-Benz and Fiat 1000 of the 1950s. The Oxford, called the Ambassador and manufactured by Hindustan Motors of Calcutta, is being updated with a Vauxhall Victor body from the UK and an Isuzu engine from Japan.

The Fiat, made by Premier Automobiles of Bombay, is to be given a Fiat 124 body and, possibly, a new European or Japanese engine. Premier, owned by the Walchand Group, has been the subject of takeover rumours with two diversi-

fied groups—Goecke of Calcutta and Mahad of Bombay—being mentioned as possible bidders.

Japanese companies are beginning to dominate the rest of the automotive industry, negotiating deals for the production of light commercial vehicles and two-wheelers. This would leave a gap for a modern saloon at the top end of the market which the Rover could fill.

Bridget Bloom, defence correspondent, adds: Mr Geoffrey Patten, British Minister in charge of defence equipment procurement and sales, is to visit India on a sales tour on April 17. Mr Patten, who will be accompanied by Sir James Blyth, head of defence sales, hopes to interest India in buying additional Sea Harrier fighters, and Sea King helicopters.

Britain also believes there could be potential sales for the Rapier air defence system, for the Vickers tank and for marine and aircraft engines.

## Common policy sought by engineers

By Christian Tyler, World Trade Editor

COMPETITION from foreign companies in British engineering has prompted their national federation to try to work out for the first time a common policy towards trade protection and industrial subsidies.

The Engineering Employers' Federation has drawn some preliminary conclusions about what its line should be from a private seminar attended by more than 70 member companies.

It suggests the industry should campaign for maximum freedom of trade and competition, but at the same time insists the UK Government should offer official support given to its overseas rivals.

The EEF also suggests, perhaps more controversially, that industry aid should be diverted away from regional grants and towards research and development, including product and market development.

Companies may also be encouraged to report "unfair practices" by other EEC countries to the Commission in Brussels.

Retaliation against foreign protectionism and unfair trading practices is seen as counter-productive for a big exporting industry such as engineering. But the EEF suggests the industry may want to press for domestic protection to safeguard threatened technological capability in key areas.

The federation believes that, although it is traditionally an industrial relations collective, it is better placed than, say, the Confederation of British Industry, to formulate a trade policy for UK manufacturers. However, it remains to be seen whether it can produce a policy acceptable equally to successful electronics companies as to struggling metalworking concerns.

The fledgling policy will be debated by the federation's economic committee and management board. When it finally emerges it will serve as guidance for the industry's approaches to government on cases as they arise.

## MANUFACTURERS TILT OVER NEW PRODUCT

# Boeing set to pre-empt Airbus plans

By MICHAEL DONNE, AEROSPACE CORRESPONDENT

BOEING, the U.S. jet airliner builder, is prepared to move immediately to counter any formal decision by Airbus Industrie, the European jet airliner consortium, to launch a new 150-seater jet, the A-320.

Mr J. F. Sutter, executive vice-president of the Boeing Commercial Airplane Company, made it clear this week that his company was continuing its detailed research and development studies into a wide range of new airliner types, including a possible new 150-seater design of its own, called the "7 Dash 7," spending over \$10m a year on that venture alone.

Boeing Industries is still trying to put together its plans for the A-320 150-seater, with discussions between prospective French, British, West German, Canadian, Dutch and Japanese manufacturing partners, while continuing development of its existing products, the 250-seat A-300 and 200-plus seat A-310.

It is holding talks with airlines on the project and it hopes that by the time of the Paris Air Show, in late May and early June, it will be in a position to say more about the formal launching of such a venture.

Boeing, however, views the Airbus Industrie's efforts calmly. Boeing does not see any such 150-seater aircraft emerging until about 1989. Its view is that if necessary it could beat Airbus with earlier deliveries of a new derivative

of its existing twin-engine 737, that would adequately meet the airlines' immediate needs for any 150-seater, at a much lower cost.

This would be called the 737-400, which would feature a modified wing, a stretched fuselage, and the Franco-U.S. CFM-56 Dash 3 engine, and be

Far from feeling that Airbus Industrie is leading the fight with its current emphasis on the A-320, Boeing believes that it has already got Airbus "boxed in" with its current range of short to medium-range transport aircraft.

The 737 is already available in the 180-plus seat category, and could eventually also be replaced by the improved 737-400 when it became available.

Boeing believes its hold on the short-range twin-engine jet market remains strong.

It regards its most formidable competitor in this market as McDonnell Douglas, whose own DC-9 Super 80 has captured significant orders in recent months.

Boeing is showing considerable interest in the proposed joint international development of a new aero-engine for short-range jets by Rolls-Royce, Pratt and Whitney, three Japanese aero-engine companies and Fiat of Italy and MTU of West Germany.

Mr Sutter said this week that so far, no-one had told Boeing what the price of such an engine would be, and there were no details of it.

But it appeared to be a genuine effort by the engine makers to meet the future need for an engine in the 20,000 lbs-plus thrust class, and Boeing would consider it seriously for any eventual 737-400 or later "7 Dash 7" venture.

date because of new noise laws that come effective in the UK on January 1, 1988, and progressively thereafter throughout Western Europe.

Any A-320 becoming available in 1988-89 would be too late to meet BA's immediate needs, whereas the 737-300 is already timed ideally for those needs, and could eventually also be replaced by the improved 737-400 when it became available.

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## Sharp increase in EEC imports hits Britain's textile industry

By ANTHONY MORETON, TEXTILES CORRESPONDENT

A LARGE rise in imports from the EEC last year contributed substantially to a record UK deficit of £1.3bn in its trade in textiles and garments.

This was a 23 per cent jump over 1981 and the way in which imports of yarn, fabric, carpets and certain types of knitwear from the community had risen so strongly was "particularly worrying," according to the British Textile Confederation.

This rise had occurred despite a 4 per cent fall in consumption of textile products.

The effect of the rising trend of imports from the EEC is exacerbated by the disappointing performance of our exports in recent years. The BTC said yesterday in its annual review of the import trade.

"The UK is not unusual in having a high volume of imports

from other Community countries, but it is unusual in the low share of its markets taken by its exports."

The report goes on to say, though, to distance itself from the criticisms made by Far Eastern suppliers that it is the rise in imports from high-cost European suppliers which is solely to blame for Britain's problems.

While admitting the rise it claims that "the majority of products where the EEC is a major supplier differ from those most subject to low-cost competition. Where the two overlap, EEC imports are mostly of finished cloth."

Total imports rose 1 per cent by volume last year, there being strong growth from Mediterranean countries such as Portugal, Turkey, Malta, Cyprus and Tunisia as well as the Lomé group of countries. The most notable drop in overseas goods

was from the U.S. and the low-cost producers.

Hopes in the textile trade that there might have been some recovery towards the end of the year have been dashed by statistics which show a particularly adverse trend in the last quarter of the year, imports being up 2 per cent and exports down 11 per cent, both by volume.

The BTC lays much of the blame for the disappointing performance at the door of an overvalued exchange rate, at least until the sharp fall in the value of sterling in November and further de-stocking.

The result has been a further strengthening of imports in the UK. By comparison with 1979, when they accounted for 53 per cent of final consumption by weight, they had risen to 64 per cent last year.

Textile and Clothing Imports in 1982. British Textile Confederation, £25 to non-members.

## Exports to Uganda 'set to rise'

By STEPHANIE GRAY

BRITISH EXPORTS to Uganda could easily double to £80m a year over the next three years, according to a report launched yesterday by the British Overseas Trade Board's (BOTB) Tropical Africa Advisory Group.

The report, presented at a seminar attended by about 800 businessmen, is based on the findings of the group's mission last month, which assessed political and economic developments in the country.

It noted "vast improvements" in the internal security situation, with only pockets of guerrilla activity, the apparent stability of the Government and the dedication to economic revival by President Milton Obote, Africa's born-again prag-

matist. The remarkable speed with which the country's economy was bouncing back after 15 years of violence and neglect was given as a great cause for optimism.

In the past two years, Uganda has returned to self-sufficiency in food, coffee production has risen 50 per cent, cottons by more than 100 per cent, and from a small base, tea production doubled, the report said.

The rescheduling of \$574m in external debt and the implementation of International Monetary Fund prescriptions had paved the way for foreign grants and credits amounting to \$450m that is to be disbursed by the end of next year. While

disbursement was slow, the aid provided excellent opportunities for British exporters.

Further, the report said the rescheduling agreements should clear the way for the resumption by the Export Credits Guarantee Department of medium-term cover after years in which it has been only short-term.

The report also emphasised the substantial opportunities for British consultants and contractors in President Obote's 1982-84 recovery programme. The \$738.5m programme, to be financed through increased exports, IMF credits and other grants and loans, is aimed at a steady revitalisation of industrial activity.

## Chinese boost for Poland

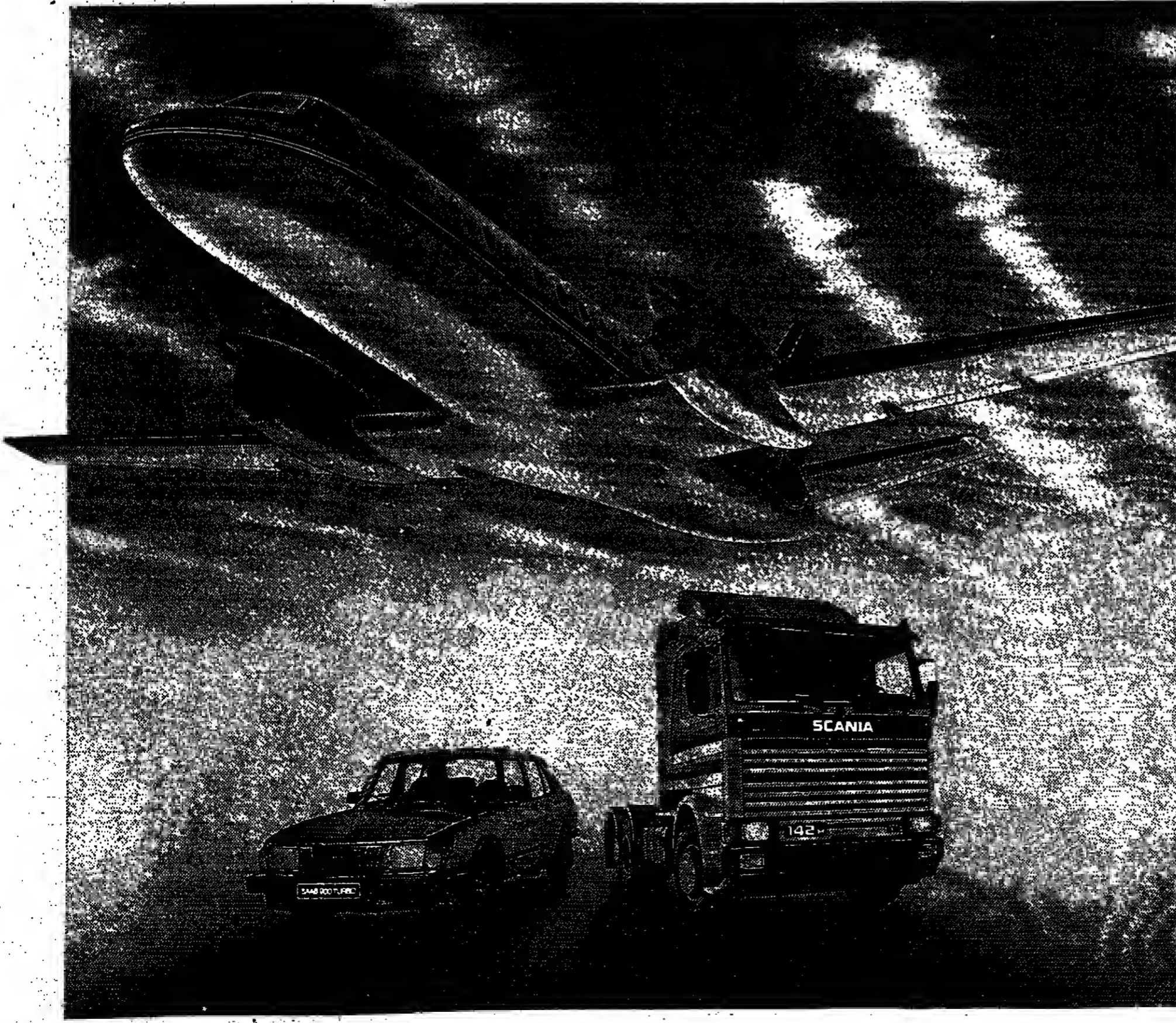
By Christopher Sobinski in Warsaw

POLAND'S hard-pressed consumers are to benefit from China's policy of stepping up trade with Eastern Europe.

A recent additional trade protocol to last January's agreement for this year means trade turnover in 1983 denominated in Swiss francs, will be worth SwFr 560m (£118m), double last year's SwFr 264m turnover.

The report also emphasised the substantial opportunities for British consultants and contractors in President Obote's 1982-84 recovery programme. The \$738.5m programme, to be financed through increased exports, IMF credits and other grants and loans, is aimed at a steady revitalisation of industrial activity.

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## AMERICAN NEWS

## Concern over U.S. Central America role

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

CONCERN IS mounting rapidly, both inside and outside the Reagan Administration, over covert U.S. involvement in Central America, which is fast becoming a major political issue in Washington.

The State Department was yesterday reported to have raised questions with the White House at the highest levels last week about the legality of U.S. backing for right-wing rebels fighting the Sandinista Government of Nicaragua from bases in Honduras - in a war that was hitherto relatively obscure to most Americans, but which has

now become the centre of a blaze of publicity in the U.S. media.

Under an amendment to an appropriations bill passed by Congress last December, the Administration is barred from taking any action for the purpose of overthrowing the Government of Nicaragua. A number of senators have recently protested even more vigorously that the law is in danger of being broken.

Official U.S. policy is to block supplies from Nicaragua to the left-wing guerrillas fighting the U.S.-backed Government of El Salvador

and attack the "Cuban infrastructure" in Nicaragua, as well as generally harass the Government. The right-wing guerrillas, however, now claim to control significant areas of Nicaragua territory and to be able to engage the Nicaraguan army in battalion strength.

Their effort began to gather strength in early 1982, about the same time that the Reagan Administration approved \$18m in covert aid for their operations. While they represent a number of different factions, a fair amount of their hard-core fighters are former members

of the feared National Guard of the late Nicaraguan dictator Anastasio Somoza, overthrown in 1979.

The suspicion among Latin American analysts in Washington is that the Administration is hoping that the guerrillas will make sufficient gains against the left-wing government to produce a mirror image of the situation in El Salvador, where left-wing guerrillas are fighting a right-wing Government. That, it is felt, might produce the basis for a more widely negotiated political solution that would get the El Salvador Government off the hook.

The Nicaraguan guerrillas are beginning to become aware that they are being used by Washington, and now want an expression of open U.S. support. They fear that covert support may easily be quietly withdrawn once Washington feels that its purpose has been achieved.

The concern in some circles in Washington is that, given the guerrillas' growing strength, it will become increasingly difficult to maintain the fiction that they are not fighting to overthrow the Government, which they avowedly are.

## Peru's opposition demands about face

By Doreen Gillespie in Lima

PERU'S APRA party - the country's main opposition group - has presented President Belandier with a 32-page document demanding a turn-around in the Government's economic policy. The main points under attack are the handling of trade, the foreign debt, fiscal spending and soaring inflation.

A 9.9 per cent rise in March has taken inflation over the past 12 months to a record 90.9 per cent and is threatening to move into three figures by the end of the year.

Government officials say the main reason for this year's jump in the cost of living, which took inflation to 27.5 per cent in the first three months, is the sharp rise in food prices following floods and avalanches in the countryside.

The opposition blames soaring inflation on the crawling peg, which has devalued the sol against the dollar by just over 25 per cent since the beginning of the year, as well as monthly increases in the price of petrol, petroleum by-products, electricity and the gradual elimination of subsidies on basic foods.

## Uruguay asks banks for loan approval to meet IMF date

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

URUGUAY'S 75 creditor banks have been asked to approve a \$950m rescheduling and new loan package in time to allow the International Monetary Fund (IMF) to endorse the country's economic programme before the end of the month.

Under the IMF programme, Uruguay stands to receive a \$410m standby credit for two years in return for policies designed to cut its public sector borrowing requirement and reduce its current account balance of payments deficit.

Target figures contained in the programme are a reduction of the payments deficit to \$340m this year and \$260m in 1984 from \$500m in 1982.

The central government borrowing requirement is to be cut to two per cent of gross domestic product (GDP) this year and 1½ per cent in 1984 from nine per cent in 1982. Uruguayan Central Bank officials said yesterday.

If Uruguay can meet the targets for its balance of payments, it should be able to avoid additional borrowing from international banks before 1985. Economic growth is expected to be restored to between 1

and 2 per cent this year after a fall in real output of 8 per cent last year.

Uruguay's creditor banks are now considering the terms of the proposed refinancing package which has been agreed with an advisory group of leading creditors chaired by Citibank and including Lloyds Bank International of the UK.

The package provides for: ● Refinancing over six years, with two years' grace before repayments begin, of 90 per cent of the \$700m in public sector debt falling due this year and next. This gives an amount to be rescheduled of \$700m on which a margin of 3½ per cent over Eurodollar rates or 2½ per cent over U.S. prime rate will be paid.

● A fresh loan of \$240m over six years at the same margins as the rescheduling.

● The rolling over of short-term public sector trade debt amounting to \$120m for one year starting in July.

Uruguay's total public sector debt is estimated at about \$2.7bn. Its net reserves had fallen to \$200m at the end of last year and could drop slightly again during 1983.

## Salvador guerrilla leader assassinated in Managua

BY TIM COONE IN MANAGUA

A PROMINENT LEADER of the Salvadoran opposition and guerrilla movement, the FDR-FMLN, known as Comandante Amara-Maria, was assassinated in the Nicaraguan capital in the early hours of Wednesday morning.

Her real name was Melida Anaya Montes, a 38-year old teacher, who in 1980 became the second-in-command of one of the main guerrilla organisations of the FMLN, the Popular Liberation Forces (FPL). She had been a key figure in one of the main teachers' unions in El Sal-

vador for 17 years, but because of her political activity and the increasing repression in El Salvador went underground in 1978.

She made frequent trips abroad, organising political work overseas and representing the FDR-FMLN in various political forums, and kept a high public profile outside El Salvador.

She was apparently visiting Nicaragua in connection with this political work when she was killed. Nicaragua's Interior Ministry has stated that as yet the identity of her assailants is not

known but they are making efforts to track them down.

The FMLN, in a statement published in one of Nicaragua's daily papers yesterday, claims her murder was the work of the U.S. Central Intelligence Agency (CIA). El Salvadoran exiles in Managua say the murder was politically motivated and professionally carried out and will be a major blow to the guerrillas.

They also fear that her death may be used by opponents of the Nicaraguan Government to try to implicate Nicaragua in the guerrilla war in El Salvador.

● Mr George Shultz, the U.S. Secretary of State, was told yesterday by an influential Congressman that fresh conditions must be met if the U.S. was to provide El Salvador with \$60m in emergency military aid, Renter reports from Washington.

Mr Clarence Long, a Maryland Democrat and chairman of the House Foreign Operations Appropriations Subcommittee, said he told Mr Shultz that a high-ranking negotiator should be named to bring about peace talks between El Salvador's Govern-

ment and the guerrillas which are fighting it.

El Salvador should also declare an amnesty for all political prisoners, he said. "Right now, if we put this (approval of the \$60m) before the subcommittee without any of these things being met, I think without any question it would lose," Mr Long told reporters.

He added that Mr Shultz had promised to consider the new conditions. The Administration has said that El Salvador needs about \$90m worth of ammunition and spare parts quickly.

## New hope of lower U.S. interest rates

BY ANATOLE KALETSKY IN WASHINGTON

MR MARTIN FELDSTEIN, chairman of the Council of Economic Advisers, has denied that the Federal Reserve Board has tightened U.S. monetary policy. The recent jump in short-term interest rates had, he said, been due to end-of-quarter technical factors and short-term interest rates could fall soon towards their earlier levels.

Financial markets have been uneasy and confused for the past three weeks as the key interest rate on federal funds has soared above 9 per cent in response to a combination of end-of-quarter "window dressing" by banks and uncertainty about whether the Federal Reserve Board is tightening monetary policy.

Mr Feldstein said in a briefing on Wednesday that the market's fears of a monetary tightening were unfounded and were based on "a lot of false signals and over-interpretation of official statements" about the need for slower growth in the money supply.

Although concern about rapid money growth was understandable, the recent increase in monetary aggregates had been "essentially a shift of funds, as a result of deregulation and not really a

change in the rate of growth in the money supply," he said.

"We have all said that the monetary aggregates have to grow more slowly in the months ahead," Mr Feldstein said, referring to himself, Mr Paul Volcker, the chairman of the Federal Reserve Board, and Mr Donald Regan, the Treasury Secretary.

"But this does not represent a monetary tightening - just the end of the shift of funds, which will occur gradually in the next few months."

Mr Feldstein also maintained that the U.S. economic recovery is now well under way and that recent statistics on employment and working hours have been very "encouraging" after some "mixed" indicators for February. He predicted that a monetary tightening was unlikely for March, due next week, will show another increase.

All the remaining uncertainties, about sluggish retail sales, low investment and a trade deficit "somewhere in excess of \$60bn" were due ultimately to the impact of high federal budget deficits on long-term interest rates, according to Mr Feldstein.

## World Bank steps up non-project loans

BY DAVID BUCHAN IN LONDON

THE WORLD BANK is stepping up its structural adjustment programme as a contribution to easing the Third World debt crisis. It is negotiating loan conditions with several countries, including Peru, Costa Rica, Yugoslavia, Ghana and Togo, a senior World Bank adviser said yesterday.

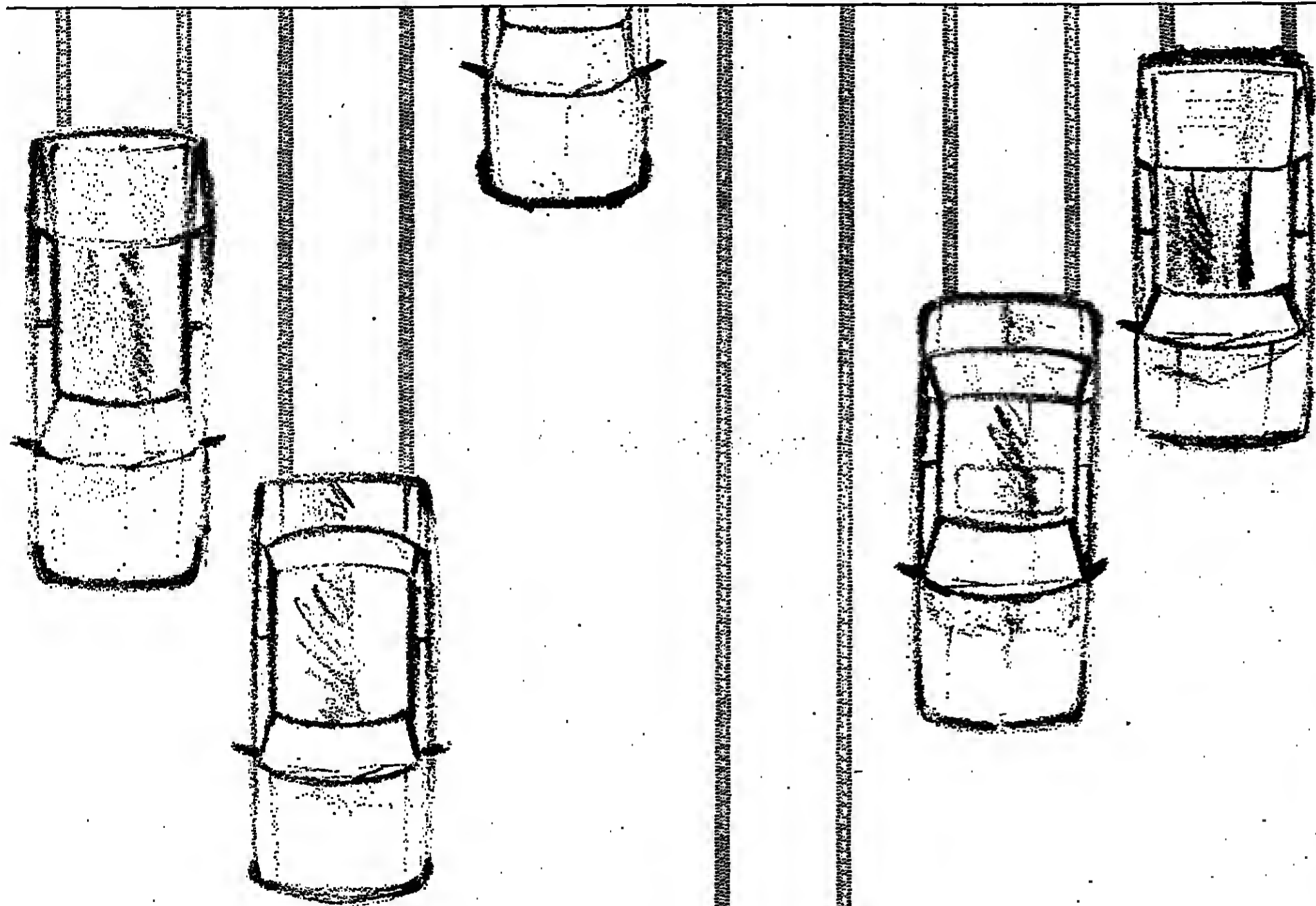
The World Bank started this form of non-project aid in 1980. It is designed to give general aid to countries willing to undertake "structural" policy reforms. So far 13 countries have received such loans.

At a press conference in London, Mr Stanley Please, the bank's adviser on structural assistance, disclosed that its board had recently decided that structural aid loans could exceed 10 per cent of total

lending - it was 9.5 per cent in 1981 and could amount to more than 30 per cent of lending to any one country.

Mr Please noted, however, that increased structural aid would have to come from within the bank's existing resources. Its commercial rate lending was limited by its capital ceiling, and concessional lending was hampered by lack of funds for the International Development Association (IDA).

Mr A. W. Clausen, the World Bank president, is due in London next week as part of his effort to persuade western governments to put pressure on the U.S. to make good its large, but unfulfilled, commitments to IDA, the World Bank's soft loan affiliate.



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Al Baraka International	10 1/8%	Hambros Bank	10 1/8%
Allied Irish Bank	10 1/8%	Heritable & Gen. Trust	10 1/8%
Amro Bank	10 1/8%	Hill Samuel	10 1/8%
Henry Ansbacher	10 1/8%	C. Hoare & Co.	10 1/8%
Arbuthnot Latham	10 1/8%	Hongkong & Shanghai	10 1/8%
Armed Trust Ltd.	10 1/8%	Kingsnorth Trust Ltd.	12 1/2%
Associates Cap. Corp.	11 1/2%	Knowsley & Co. Ltd.	11 1/2%
Banco de Bilbao	10 1/8%	Lloyds Bank	10 1/8%
Bank Hapoalim BM	10 1/8%	Mutualbank Limited	10 1/8%
BCCI	10 1/8%	Edward Manson & Co.	12 1/2%
Bank of Ireland	10 1/8%	Midland Bank	10 1/8%
Bank Leumi (UK) plc	10 1/8%	Morgan Grenfell	10 1/8%
Bank of Cyprus	10 1/8%	National Westminster	10 1/8%
Bank Street Sec. Ltd.	10 1/8%	Norwich Gen. Trst.	10 1/8%
Banque Belge Ltd.	10 1/8%	P. S. Nelson & Co.	10 1/8%
Banque du Rhone	11 1/2%	Royal Trust Co. Canada	10 1/8%
Barclays Bank	10 1/8%	Roxburghs Guarantee	11 1/2%
Beneficial Trust Ltd.	11 1/2%	Slavenburg's Bank	10 1/8%
Bremer Holdings Ltd.	11 1/2%	Standard Chartered	10 1/8%
Brit. Bank of Mid. East	10 1/8%	Trade Dev. Bank	10 1/8%
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Castle Court Trust Ltd.	11 1/2%	United Bank of Kuwait	10 1/8%
Cayzer Ltd.	10 1/8%	Volksbank Ltd.	10 1/8%
Cedar Holdings	11 1/2%	Westpac Banking Corp.	10 1/8%
Charterhouse Japhet	10 1/8%	Whiteaway Laidlaw	11 1/2%
Chonlatons	11 1/2%	Williams & Glyn's	10 1/8%
Citibank Savings	11 1/2%	Wintrust Secs. Ltd.	10 1/8%
Clydesdale Bank	10 1/8%	Yorkshire Bank	10 1/8%
C. E. Coates	11 1/2%		
Comm. Bk. of N. East	10 1/8%		
Consolidated Credits	10 1/8%		
Co-operative Bank	10 1/8%		
The Cyprus Popular Bk	10 1/8%		
Duncan Lawrie	10 1/8%		
E. T. Trust	11 1/2%		
Exeter Trust Ltd.	11 1/2%		
First Nat. Fin. Corp.	13 1/2%		
First Nat. Secs. Ltd.	13 1/2%		
Robert Fraser	11 1/2%		
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 9-month deposits 7.5%  
 Mortgage rates

## UK NEWS

## Thorn in videodisc study with Philips

By Jason Crisp

A MAJOR shake-up in the European videodisc industry may be under way. Thorn EMI, one of the leading supporters of the Japanese VHD videodisc system, is considering supplying programming material for the rival Philips Laservision system.

The two companies have begun preliminary discussions about co-operation. In videodiscs, Philips would certainly be keen to have access to Thorn EMI's extensive programme list. This has been precluded until there is a possibility that Thorn EMI will launch a rival videodisc system.

Thorn EMI confirmed yesterday that the discussions were taking place. No decision will be taken until it sees how well the VHD videodisc sells in Japan when it is launched there by JVC later this month.

The worldwide launch of the VHD videodisc system has been repeatedly postponed because of technical problems and fears that there would be very little demand. Thorn EMI which built a costly disc pressing plant in Swindon has written off the investment and postponed the launch indefinitely.

The videodisc has a much higher quality picture than the videocassette recorder (VCR) but cannot be used to record programmes. There are three rival incompatible systems. The cheapest and least sophisticated developed by RCA is Selectavision, which is available in the U.S.

The most sophisticated is Philips' Laservision which is available in Japan, the U.S. and parts of Europe. The other major backer of Laservision is Pioneer, the Japanese company. Most Japanese companies back the third system, VHD.

If the VHD videodisc does well in Japan it is unlikely Thorn EMI would offer Philips any titles. Philips is believed to be particularly interested in some of Thorn EMI's "interactive" programmes it had prepared for the VHD launch before it was finally shelved. The interactive discs are used for educational and informative purposes where the programme jumps to different stages depending on the answer given by the viewer.

At present there are only about 200 titles available on Laservision, although this is expected to rise to 300-400 next year. The amount of available programming material is an important factor in sales of videodiscs. At present sales of videodiscs are very low and only expected to grow slowly. Interactive discs, which are expensive to make, are seen as a particular attraction for videodisc as it is a facility which cannot be offered on a VCR.

## Vauxhall on course to offer 'enormous' car component deals

By John Griffiths

VAUXHALL, General Motors' UK vehicles subsidiary, says it now matches its West German sister company Opel on quality and costs. The 1982 results due at the end of this month will show an operating profit and it is on course for a net profit in the current year.

On the company's current production record, and given no further change in the sterling-D-Mark relationship, the company will offer enormous opportunities to the UK components industry next year, Eric Fountain, Vauxhall's director of public affairs, claimed yesterday.

At the same time, Opel executives said that use of UK materials and components at its own plants is increasing: some 180,000 steering units for right-hand drive Cavaliers and Astras currently built in European Continental plants - nearly half of UK Cavalier sales are imports - are being resourced from its own plants to a UK manufacturer, Cam Gears of Clevedon.

Other contracts with UK companies include the supply of 800 tons

of British steel a month for Cavalier and Astra pressings.

UK content of Cavaliers built in Britain has risen to nearly 60 per cent, when labour and other overheads are included, and the level will rise further this year, according to Vauxhall.

Next month, it is inviting 1,100 companies in the Luton area to its plant to discuss component resourcing possibilities, with a similar exercise to be undertaken at Ellesmere Port Cheshire where Astras and Chevettes are made - in June.

The proportion of Cavalier sales taken by imports will fall from late summer, when the Cavalier production plant at Luton is placed on double-shift working.

At about the same time, Luton will also start building an estate version of the Cavalier. Initially, this will be for the UK only. If the model is successful, it is expected that Luton will be the sole source of supply for sales on the European Continent as well.

If this comes about, Vauxhall would become an exporter of cars for the first time in several years.

## Ford strikers call off month-long stoppage

By NO DAWNEY, LABOUR STAFF

WORKERS at Ford's Halewood plant on Merseyside returned to work last night after voting by a margin of nine to one to end the month-long strike over the dismissal of an assembly-line worker for alleged vandalism.

However, there were strong warnings from shop stewards that strike action would resume if the management now attempted to seize the opportunity to push through plans for substantial changes in working practices.

The company said last night that no such moves would be made until the timetable for discussions had been completed. This would take at least eight days.

Workers at Halewood's body plant, laid off during the recent dispute, have already voted to strike if the new proposals are arbitrarily imposed. There is little doubt that the 4,600 assembly workers at the plant would follow suit.

The return to work comes after both sides agreed to ask the Advisory, Conciliation and Arbitration Service to set up a three-man inquiry to investigate the dismissal of Mr Paul Kelly, who is alleged to have damaged an 83p bracket in a car. Mr Kelly will remain dismissed but on full pay while the inquiry is held.

The dispute has cost the produc-

tion of 18,000 Ford Escorts valued at £30m in retail prices.

Mr Bill Maguire, the assembly plant convenor, said yesterday that the peace formula amounted to the terms offered to management by the unions when the dispute began.

British Steel warned last night that the four-day-old strike by 8,000 workers in South Yorkshire may lead to further job losses on top of the 1,708 already planned for its Special Steels Division.

All steelmaking in the division's seven plants in Sheffield and Rotherham, and in stainless steel and railway and ring roll works, has been halted in the first major revolt against the corporation's six-year redundancy programme.

Three thousand members of the Iron and Steel Trades Confederation (ISTC) at Scunthorpe, in Humbershire, staged a 24-hour unofficial strike yesterday in support of the South Yorkshire workers.

Mr John Pennington, managing director of BSC's Special Steels Division, said: "If the strike continues we will find it difficult to sustain the reduced shift levels envisaged in the survival plan, and the prospect could again be one of short-time working and further job loss." The division had worked hard to recover market share since the 1980 pay strike, he said.

Ian Rodger traces a machine tool group's downfall

## Herbert snared by recession

A YEAR AGO, Mr Ron Lynch, a little-known entrepreneur in the machine tool refurbishing business, became the toast of Britain's beleaguered machine tool industry.

Together with an associate, Mr John Wright, he had restored the core lathe-making business of Alfred Herbert only a year after the National Enterprise Board put the Herbert group into liquidation.

The speed and extent of the turnaround was astonishing. A 1979-80 loss of £5m was transformed into a profit of £3.7m in the year to July 31, 1981. A new range of computer-controlled lathes was put into production in January, 1981 and within a year it was the UK market leader with a 20 per cent share.

Herbert's initial success under its new owners was a great morale booster for the UK machine tool industry as a whole. The company was once the largest producer in Europe and is still the best known British name.

The world looks at Alfred Herbert as the British machine tool industry, says Mr Leslie Harcourt, chairman of Warner & Swasey Turning Machines, the UK subsidiary of a U.S. competitor.

This fame, together with the company's strong position in the UK market, suggests that the Herbert name and product line will somehow survive, but the big question is

why the recovery of 1981 evaporated.

Demand for machine tools has declined dramatically in the present recession. Orders in Britain last year were 65 per cent below the 1979 level. In the U.S., net new orders have fallen by 84 per cent since the first quarter of 1979.

Herbert, under Mr Lynch and Mr Wright has been under capitalised. Although their holding company, Tooling Investments, is private, it is believed to have bought the business from the Herbert liquidators for just £2m, with considerable support from Barclays Bank. Later, Industrial and Commercial Finance Corporation (ICFC) put in £2m in loan stock and preference shares.

Mr Mark Homan, one of the Price Waterhouse receivers, said that loan capital and overdrafts now amount to £10m and total debts to £17m. Turnover is running at about £20m per year and the group is making very small pre-interest profits.

It is difficult to understand how the directors and their financial backers allowed the company to get into this stretched state. The machine tool business is notoriously cyclical and most producers are very wary about taking on excessive borrowings.

Despite its early success in the UK, the company recognised that it would have to develop export mar-

kets in order to generate sufficient volume to survive.

In 1981-82, Herbert made about 230 lathes. By contrast, the leading Japanese producers make about 3,000 units a year. Mr Lynch reckoned Herbert could compete with a volume of something over 400 a year. The depressed UK market was producing about 200 sales, and he decided the best chance of getting a big increase in volume in a hurry was to attack the U.S. market.

Unfortunately, Herbert entered the U.S. in late 1981, just before the market there collapsed. The company's original budget of 450 machine sales in 1982-83 had to be revised last summer to an unchanged 230, and it now seems unlikely that even that figure will be reached.

Herbert has been caught with large quantities of unsold machines and work in progress. Since last summer, it has made redundancies and introduced short-time working to cut costs.

The group slipped back into a £1m loss last year, of which £700,000 was for redundancy costs. But, knowing that the recession had already lasted for more than two years, the directors probably hoped for an early recovery and did not cut as quickly or as deeply as they should have.

## Atlantic fares war signalled

By Michael Donne, Aerospace Correspondent

A NEW transatlantic air fares war is likely this summer. Trans World Airlines, the U.S. airline which claims to be the biggest operator on the route with about 1m passengers a year between the U.S. and Western Europe, is to offer a new, first-ever day return fare between London Heathrow and New York from June 1 of £499 (business class).

This compares with the normal Ambassador class period return of £876, and the peak-summer economy class period return of £496.

The airline is also expected to announce shortly a new cheap fare between London (Gatwick) and New York of about £270 return, to compete with both charter operations from Gatwick, and the expected start of scheduled operations by a new U.S. airline, People Express Airlines.

This airline has just been given approval by the U.S. Civil Aeronautics Board for non-stop flights between Newark (New Jersey) and Gatwick, at a single fare of \$149 economy (coach) class and \$439 (premium) class. Approval for this service is still awaited from the UK Civil Aviation Authority.

## Pressure for public sector strike curbs

By John Lloyd, Labour Editor

EMPLOYERS' organisations have reached a broad consensus on their proposals for industrial relations legislation - an agreement which seems likely to push the Government towards early action on strikes in essential services and on reform of union democracy.

In their response to the Government's discussion paper on trade union reform submitted this week, both the Confederation of British Industry (CBI) and the smaller Institute of Directors argue for a curb on strikes in the essential services. Both call for an end to union immunities from legal action where the union does not exhaust agreed dispute procedures.

The CBI is also likely to adopt a proposal, long advocated by the Engineering Employers Federation, for allowing employers to lay off workers without pay when it is no longer possible to provide work for them because of a dispute in an essential service, or in the business concerned.

This proposal has been approved by the CBI's employment policy

committee, and is now out for consultation among the membership before coming before the CBI council in May or June.

A weapon against strikes in essential services advocated by the CBI is a ballot on strike action before it takes place, triggered by a minority of the workforce. Such a mechanism would be confined to those strikes which were considered "serious enough to endanger the public interest."

The CBI document acknowledges that "there are many practical problems to overcome. These include defining the seriousness of a dispute before it has begun, the size of the minority which triggers the ballot, and the conduct of the ballot. However, the CBI says that "the Government should seriously consider this proposal."

The Institute of Directors, traditionally more hawkish than the CBI, has recommended a more radical approach. Both the CBI and the Institute make trade union immunities conditional on the observance of agreed procedures. But the Institute goes further, calling for de-centralisation of bargaining structures in essential services. Inclusion of arbitration in the final stage of procedure agreements and bringing back the limited protection against strikes in some utilities which existed before the 1971 Industrial Relations Act.

## Trust to be investigated

THE DEPARTMENT of Trade, the ultimate regulatory authority of the UK business community, yesterday appointed inspectors to investigate and report on the affairs of Greenbank Trust, the investment trust. The investigation is being made under a section of the 1948 Companies Act that allows the Department to inquire into any circumstances which suggest that there might have been irregularities in a company, or a lack of disclosure of information.

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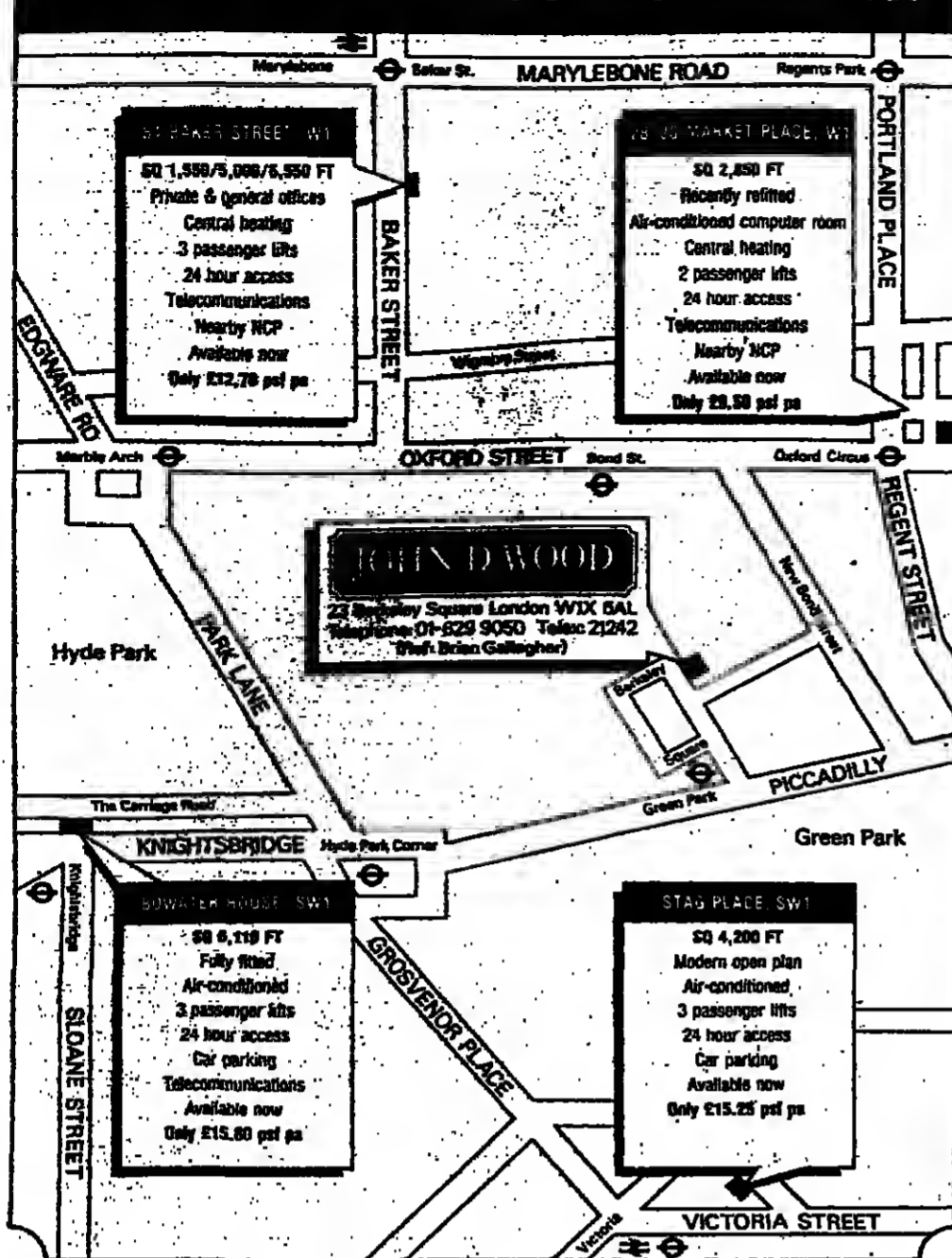
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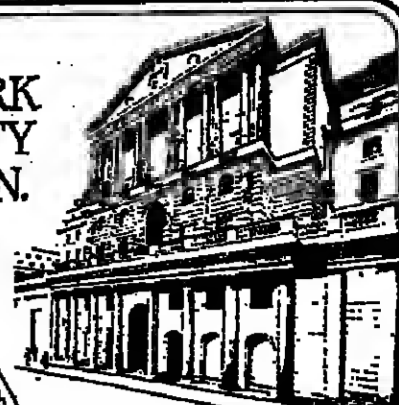
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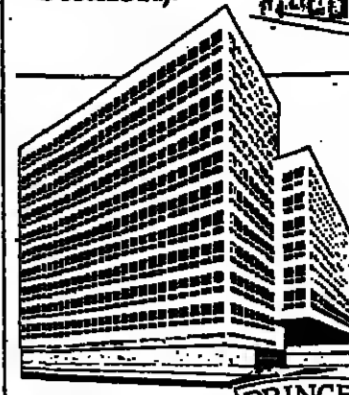
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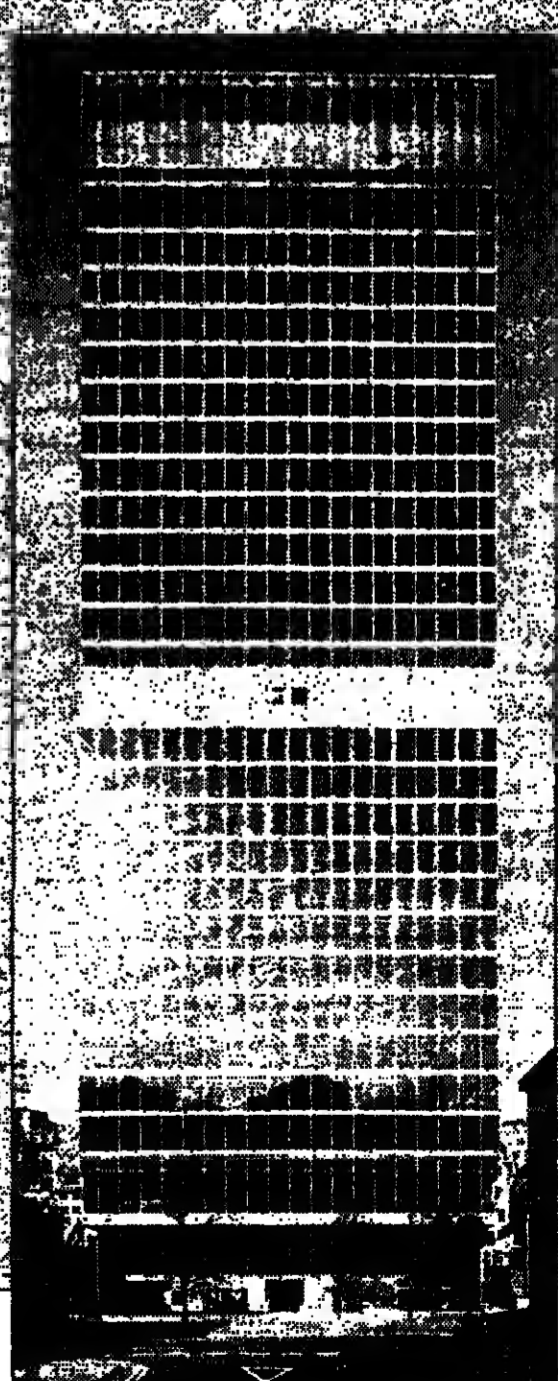
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1st MAY 1983 REDEMPTION

# RIO TINTO-ZINC FINANCE N.V.

## U.S.\$45,000,000 6¾% Loan 1984

### REDEMPTION OF BONDS

Rio Tinto-Zinc Finance N.V. announces that for the redemption period ending on 1st May 1983 it has purchased and cancelled bonds of the above Loan for U.S.\$2,273,000 nominal capital and tendered them to the Trustee.

The nominal amount of bonds to be drawn for redemption at par on 1st May 1983 to satisfy the Company's current redemption obligation is accordingly U.S.\$3,727,000 and the nominal amount of this Loan remaining outstanding after 1st May 1983 will be U.S.\$6,000,000.

### DRAWING OF BONDS

Notice is accordingly hereby given that a drawing of bonds of the above Loan took place on 22nd March 1983 attended by Bridget Mary Ellison of the firm of John Venn & Sons, Notary Public, when 3,727 bonds for a total of U.S.\$3,727,000 nominal capital were drawn for redemption at par on 1st May 1983, from which date all interest thereon will cease.

The following are the numbers of the bonds drawn:

26	33	34	55	60	322	324	330	331	339	342	344	346	347	348	349	351	355	356
359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377
378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396
397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415
416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434
435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453
454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472
473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491
492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510
511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529
530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548
549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567
568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586
587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605
606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624
625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643
644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662
663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681
682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700
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## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

## Hill Samuel: the revival of a merchant bank

Alan Friedman analyses the wide-ranging shake-up which has given fresh impetus to the financial services group

HILL SAMUEL could well prove to be one of the better textbooks examples of the power of positive management. The last time this merchant bank was written about on these pages (in 1979) the reader would have had little trouble in picking out phrases such as "unhappy ship", "chequered history" and "dismal profit record".

Yet, today, Hill Samuel is seen by many as one of the great "turnaround" stories of the City. Not only did the group get off its profits plateau in the year which ended in March 1981, but it managed to double its disclosed after-tax profits in two years, from £7.7m in 1979-80 to £15.99m in 1981-82.

Much of the credit for Hill Samuel's revival goes to the group's youthful chief executive, Christopher Castleman. At the age of 39, he took over management of the group in 1980, having spent several years successfully turning around the Australian and South African businesses.

He faced a formidable challenge, not least because the Hill Samuel group is unlike most other merchant banks. It is not merely a bank, but also an insurance broker, a shipping services company, an employee benefits business and a life insurance and investment management company. Each division has had its problems, some of them quite severe.

In 1980 Hill Samuel was emerging from a disastrous decade. It started in 1970 when institutional investors blocked a planned merger with Metropolitan Estate and Property Corporation, a scheme recommended by the board under the then-chairman Sir Kenneth Keith.

In 1973 the institutions balked again and succeeded in calling off at the last minute a planned merger with Slater Walker Securities, just before it fell victim to the secondary banking crisis. In 1974 Hill Samuel lost £31m as a result of an abortive spot foreign exchange deal with the collapsed Frankfurt bank I.D. Herstatt. In the end the net write-off was £1m.

The late 1970s saw a variety of management upheavals including the resignation in 1978 of John Elton, the chief executive of the merchant bank, the departure of Lord Keith in 1980, as well as several insurance, broking executives and finally the elevation of



Sir Robert Clark refers to the group's problems as "puddles into which we tread in the late 1970s".

Castleman to replace Sir Robert Clark as group chief executive. Sir Robert refers to the group's problems as "puddles into which we tread in the late 1970s".

The second "puddle" Sir Robert catalogues was what he terms "a straight management deficiency in insurance broking". According to Sir Robert, who steps down next year as chairman, the broking overheads "grew like topsy and revenue didn't keep up".

The third great "puddle," says Sir Robert, was Hill Samuel Life, which required capital injections and had "some rather unattractive property on the Continent".

As if these problems were not enough, the merchant bank was not doing very well. For years it stayed out of medium-term lending, a policy which Sir Robert now describes as "an error".

Hill Samuel's future was further clouded in 1980 when the group appeared to be on the verge of being taken over by Merrill Lynch, the U.S. securities house. This deal, like the aborted Slater Walker and

MEPC plans of the 1970s, was also called off amid the glare of embarrassing publicity.

Enter Christopher Castleman. In his usual self-effacing way he now says that on arriving he found "a group which was poised for recovery, but without what I would describe as confidence."

Outside observers go further. One analyst puts it this way: "Castleman came in and rolled up his sleeves. He got into the engine rooms of banking, shipping, broking, employee benefits and he preached the gospel of cost control and profitability."

It would be misleading to suggest that Castleman single-handedly breathed life into the ill-fated Hill Samuel of the 1970s. Sir Robert, as chief executive until 1980, set many of the corrective measures in motion so that when he arrived, Castleman did not need to do everything.

It was Sir Robert, after all, who hired Richard Lloyd, the Williams and Glyn's executive who joined Hill Samuel in 1978 and took over as chief executive of the bank in 1980. Sir Robert also brought in Richard Shaw, the chief executive of insurance broking, who arrived in 1980.

Insiders and outsiders alike often refer to the new incentives Castleman introduced in order to boost morale and motivate executives.

## Incentives

The top 25 executives have a profit-sharing scheme which is based on the cumulative increase over induction of group earnings for the 1982-83 period. They have options to take 20 per cent of their incentive money in 1984, 20 per cent again in 1985 and 60 per cent in 1986—or they may wait until 1988. Excluding these incentives, Castleman reckons the top 25 executives cost the group £1.5m a year.

Divisional autonomy is another key policy at Castleman's Hill Samuel. There is a 12-member executive committee, which includes the heads of the various divisions, the chief executive and finance director. But Castleman makes very clear that he expects initiatives to come from divisions. He sees himself as a catalyst rather than a headmaster.

## WHERE THE PROFIT COMES FROM

	Year ending March 31	1982*	1981	1980	1979	1978
DISCLOSED PROFIT AFTER TAX						
Merchant banking		£14m	12,501	2,006	4,374	5,005
Life and investment management		n/a	2,831	1,543	1,546	1,442
Employee benefit services		n/a	2,048	1,128	1,540	1,376
Insurance broking		600	(628)	(1,401)	(1,351)	(1)
Shipping services		£1.5m-£2m	2,471	574	383	485
Underwriting agencies		n/a	369	247	259	325
Central costs including interest		n/a	(3,441)	(2,106)	(1,357)	(983)
		£18-£19m	15,991	11,293	7,488	7,729
						6,852

\* Estimates.

Just the same, he continues to emphasise cost control and profitability. "We are now achieving reasonable profits in some areas, but there is no way I would take the view that the maximum profit potential is being extracted from the group."

When it comes to overheads, he is unafraid of details. "When I first came here I wondered why we needed three telephone lines when two could handle the switchboards."

One of Castleman's initial tasks was to take a look at the undercapitalised Hill Samuel Life business. In 1977, before his arrival as chief executive, the bank had injected £4m into the life company through an internal property transaction. Last May the life company realised a further £5m by selling its 47 per cent stake in The English Assurance Company to General Accident. This stake had been transferred in 1981 from Noble Lowndes, the group's employee benefits division, to HS Life.

Castleman looked at the problem-ridden shipping business and decided that "management changes were deemed to be in order." First, he "cut back bloody hard" and then he organised the 1982 £12.4m acquisition of the 75 per cent of Wallem and Co, the Hong Kong shipping management concern, not already owned by Hill Samuel.

Wallem's shipping services business is somewhat counter-cyclical to the depressed shipping market and it will therefore be making a useful contribution for the year just ended. It will constitute the bulk of the £1.5m to £2m of after-tax profits, still down on £2.5m in 1981-82.

In broking, the 1,300 staff level of 1979 has been brought down to 800 and this division is likely to contribute an after-tax profit of £800,000, against a

1981-82 loss of £828,000.

Hill Samuel is meanwhile making a £4.6m acquisition of the Bristol-based Hill House personal insurance broker, which has 30 branches in Britain. Castleman hopes to use the acquisition and its 150,000 clients, to develop "our widest potential contact with the buying public."

The merchant banking business, which includes Australia, South Africa, treasury functions, commercial banking, corporate finance and Eurobond activities, is likely to manage a £14m after-tax profit in the year just ended, up from £12.5m for 1981-82.

## Provisions

Some 25 per cent of banking profits come from Australia and South Africa.

The bank is likely to make 1982 bad debt provisions of around £5m, which represents 0.3 per cent of its £1.5m in outstanding loans. The bank is now moving into some new areas such as the marketing of its own electronic banking systems.

Castleman's strategy for the 1980s is to "do what we are doing better and more profitably." He envisages some acquisitions, but only in areas which are related to the group's present activities.

The 1982-83 results will be announced in two months and City estimates range between £18m and £19m (after-tax), against last year's £16m. Having doubled profits in the past few years it will be difficult to keep up the momentum. The idea is to extract more earnings from the present group, or as Castleman phrases it: "We need to keep these guys moving forward."

## The man at the helm

Christopher Castleman (right) has many fans in the banking community. His followers are these stockbrokers and bankers who point to Hill Samuel's turnaround over the past three years and credit the youthful Castleman. At the age of 39, in 1980, he became the youngest chief executive of a major merchant bank. But his assiduous efforts to accentuate, in the words of one observer, "profits and profits and profits" is what has really won him favour both within and without Hill Samuel.

Castleman, an Old Harrovian, moved straight into the Hill Samuel group in 1963 following his graduation from Clare College, Cambridge, with a first in law. He joined the present group through M. Samuel & Co, which merged with Philip Hill Higgins, Erlangers Limited in 1965.

It was in the 1970s that Castleman established his reputation in Australia and South Africa. He was appointed general manager of Hill Samuel Australia in 1976 and was at the helm in Sydney during the Australian stock market's boom and crash.

One gushing stockbroker's report refers to the "spectacular results" he achieved in Australia.

There he selected the executives who would create Hill Samuel's retail Cash Management Trust business. Launched in 1980 it now has £180m of managed funds and around 40 per cent of the market share.



Trevor Humphries

If Australia was well-managed, then observers reckon he did an even better job on the group's South African business when he served in Johannesburg from 1978 to 1980. There, as managing director of the Hill Samuel Group (SA), he divested the subsidiary merchant bank of its property interests, boosted merchant bank profits by a half and left the South African group enjoying a record year in 1979-80.

The big question in 1980, then, was whether he could do for the whole group what he had managed overseas. Although he continues to be modest and even self-effacing, Castleman is now widely acknowledged to have steered the Hill Samuel group out of some very lacklustre years.

One veteran Hill Samuel-watcher puts it this way: "He has tightened the thing up considerably. The accent has been on profitability and cost control. The bank had an increasingly poor reputation

in the 1970s. Now I would say it is top of the second division of accepting houses, but looking like a promotion candidate."

Castleman himself is not only self-effacing, "at considered somewhat bland by some colleagues. He is married with two children, lives in Islington, drives himself to work in his yellow Triumph Stag and drinks sparingly.

He is a sportsman, playing cricket and squash occasionally. He is not at all a snappy dresser and chafes away from Savile Row suits.

Some colleagues view him as having been too obsessed with detail. "He was good in the engine room of Hill Samuel, but we have yet to see whether he is as good with his eyes on the horizon," comments one colleague.

Some see Castleman as "fairly intense" when it comes to business. This intensity, however, does not prevent him from dealing quite amicably with his colleagues.

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Vacancy for  
GENERAL SECRETARY

The General Secretary of the Society of Telecom Executives (formerly Society of Post Office Executives), a TUC affiliate, is due to retire on September 30 1983, and applications for the post are invited by May 6 1983. The job is open to all.

Details are obtainable on written request to the General Secretary, Society of Telecom Executives, 102/104 Sheen Road, Richmond Upon Thames, Surrey TW9 1UE. The envelope to be superscribed 'personal'.

## THE SCOTTISH AMERICAN INVESTMENT COMPANY PLC.

CONSOLIDATED 4% (FORMERLY 3 1/4%) DEBENTURE STOCK

Notice is hereby given that a Petition has been presented to the Court of Session by THE SCOTTISH AMERICAN INVESTMENT COMPANY PLC. (The Company) for an order under the Companies Act 1967 and 1981, and having its Registered Office at 45 Charlotte Square, Edinburgh, praying their Lordships inter alia (1) to appoint the Company to summon and hold a meeting of the holders of its Consolidated 4% (formerly 3 1/4%) Debenture Stock for the purpose of considering and, if so resolved, approving, with or without modification, a Scheme of Arrangement between the Company and the holders of its Consolidated 4% (formerly 3 1/4%) Debenture Stock, and (2) to pronounce an Order sanctioning the said Scheme of Arrangement.

In said Petition dated the 6th day of April 1983, the Court of Session has ordered a meeting to be convened of the holders of the said Consolidated 4% (formerly 3 1/4%) Debenture Stock of the Company for the purpose of considering and, if so resolved, approving, with or without modification, the said Scheme of Arrangement and has authorised the directors of the Company to fix the day, hour and place of the said meeting. As authorised by the said Interlocutor the directors have fixed the day, hour and place of the said Meeting and Notice is hereby given that the said meeting of the holders of the said Consolidated 4% (formerly 3 1/4%) Debenture Stock of the Company will be held at 45 Charlotte Square, Edinburgh on the 5th day of May 1983 at 11 a.m. at which place and time all the holders of the said Consolidated 4% (formerly 3 1/4%) Debenture Stock of the Company are requested to attend.

At the said meeting the following Resolution will be proposed:— "That this Scheme of Arrangement dated the 11th day of April 1983 between The Scottish American Investment Company PLC. and the holders of its Consolidated 4% (formerly 3 1/4%) Debenture Stock be approved, and that the Company be authorised to do all such acts and things as may be necessary for carrying the same into effect."

A copy of the said Scheme of Arrangement and a copy of the Explanatory Statement explaining the effect of the said Scheme and containing the statement required by Section 207 of the Companies Act 1948 may be obtained by any holder of the said Consolidated 4% (formerly 3 1/4%) Debenture Stock upon application to the offices of Dundas & Wilson, 25 Charlotte Square, Edinburgh EH2 4EZ or Laurence, Frost & Co., Basilston House, 1, Moorgate, London EC2 and may be seen at these offices during usual office hours.

A Stockholder entitled to attend and vote at the said Meeting may vote in person (either or may appoint another person or persons, who need not be a Stockholder, as his proxy to attend and vote in his stead. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders as to that purpose. The seniority shall be determined by the order in which the names stand in the Register of Stockholders. The valid, formal appointing process must be signed in accordance with the instructions contained therein and lodged at the office of the Registrars of the Company, The Registrars Department, The Royal Bank of Scotland plc, P.O. Box 27, 34 Fettes Row, Edinburgh EH2 6UT, not later than 48 hours before the time appointed for the said Meeting. The Court has authorised the Chairman of the Company or the Company whom falling any other Director of the Company to be Chairman of the said Meeting and directed such Chairman to report the result thereof to the Court. The said Scheme of Arrangement will be subject to the sanction of the Court.

Dundas & Wilson, CS,  
25 Charlotte Square,  
Edinburgh EH2 4EZ  
Solicitors for Petitioners

8th April, 1983.

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These securities have been placed privately.  
This announcement appears as a matter of record only.

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March 15, 1983.



## FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY  
Telegrams: Finantime, London PS4. Telex: 8954871  
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Friday April 8 1983

## A Brazilian warning

RIOTS in the streets of Sao Paulo this week are a reminder that Brazil's economic and social problems continue in spite of the recent rescheduling of its external debt of \$90bn (£60bn). If anything, the wonder is that trouble has not broken out before, given the extremes of poverty and an urban unemployment rate closer to 20 per cent than to the officially admitted 8 per cent.

Unemployment and the high cost of living brought the demonstrators on to the streets, but that may not have been the full story. According to one reading, left-wing groups fomented the riots because they were dissatisfied with the moderation of the local Governor, Sr Franco Montoro, himself in opposition to the military regime in Brasilia. According to another, hard liners in the military regime might have seen advantage in what happened: open disorder in the streets gives them an argument against the process of liberalisation pursued by Gen Jose Figueiredo, the President.

Governor Montoro, a man of the moderate left, has been accused of weakness for failing to nip the disorders in the bud. The charge is hardly unfair. Allowance must be made for obvious difficulties facing an opponent of the military regime upon taking over what had previously been a sternly authoritarian machine of law enforcement.

## Oil crises

However, the Governor is open to a charge of recklessness for having promised, during his election campaign last November, to launch public works giving employment to 40,000 people. Like most other Brazilian states, Sao Paulo does not have the money for even a modest venture of that kind.

It is dangerous to arouse hopes which are unlikely to be fulfilled in the present situation. Brazil, the broad outlines of that situation are well known. A period of rapid growth, sustained in the main by the public sector, was abruptly halted by the impact of the oil crises of the 1970s and the subsequent international recession.

Unable to service its debts, Brazil had to negotiate a re-

scheduling at the cost of drastically lowering the economic targets. This year the economy is likely to shrink. Subsequently growth of no more than 1-2 per cent a year is considered to be feasible. That compares with the 6 per cent needed to find work for the young people coming on to the labour market. On any realistic assumption, therefore, unemployment will become worse, not better.

This gloomy picture is only slightly relieved by the improvement of the country's balance of trade during March. A surplus of \$514m was in keeping with the hoped for surplus of \$68m for the whole year. But it would be wrong to jump to conclusions on the basis of a single month's figures. More evidence will be needed before there is any certainty that the target for 1983, which is one of the underlying assumptions of the rescheduling deal, will really be hit.

## Barter deal

From the point of view of debt management it is difficult to accept the relevance of the barter deal that Sr Antonio Delfino Neto, the Planning Minister, is trying to conclude with Mexico. Barter trade provides no foreign exchange required for debt service. It diverts potential exports that might otherwise be available for export against hard currency. And it may commit Brazil to greater oil imports from Mexico than the easterly programme warrants.

From this analysis it is clear that a task of the utmost delicacy will confront both the Brazilian authorities and their creditors abroad for a long time to come. Both the military regime in Brasilia and the democratically elected state governors in opposition to it must, with caution, pursue the course of austerity imposed by the country's debt.

On the other hand the screws must not be tightened to the point where popular discontent becomes uncontrollable. A most careful balance between the need to keep the country's debt problem under control and to prevent the troubles in Sao Paulo recurring on a greater and graver scale.

## Strikes in UK public sector

MR NORMAN TEBBIT has made it clear he is not going to ban strikes in Britain's essential services, in a quiet assurance given to Conservative Party officials.

This is sensible, for a number of reasons. First, compelling unwilling workers to work is a recipe for pent-up aggravation and plummeting productivity, as witness Poland. Secondly, the more domestic case of Betteshanger Colliery, in Kent, where the 4,000 miners struck in 1941 and could simply not be prosecuted by the Government despite strikes being proscribed under wartime regulations, is a salutary reminder of the difficulties of enforcing effective sanctions.

Thirdly, the constant problem, pointed up in the 1981 Green Paper on Trade Union Immunities, is defining which services are essential. In an interdependent economy, demarcation lines are hard to draw—is the power station worker deemed essential, and the lorry driver delivering coal or oil to the station not so considered? Are bakers essential workers? And do not many people consider television technicians as at least as necessary to civilised life as any other group? To penalise or to reward "essential" service workers is to set up new tensions between them and other workers who may be only arbitrarily excluded from the category in which the former have been placed.

## Restraint

The 1981 Green Paper made the point that, in general, "workers in key sectors have exercised their considerable power to disrupt the community with restraint... if they have taken action at all, they have usually maintained essential services and supplies." Some groups—like nurses—simply do not take strike action whatever the cause, while others—like mineworkers—only rarely do, despite the urgings of their leaders. The obvious exceptions of the health service workers (1978-79 and 1982) and the water workers (1983) provide the emotive backdrop for Mr Tebbit's present thoughts on curbing industrial action in these areas—but they are exceptions.

The fact that the health workers' action in 1978-79 shocked the rest of the country was a factor in the TUC producing its code of conduct, which was partially effective in preventing the worst side-effects of last year's action. Such a code is clearly a helpful element for any future arrangements. It should be better enforced than it was last year—area health authorities and unions often colluded in keeping some distressing incidents out of the press—but it was a reasonable document in itself and an initiative which should be encouraged and extended.

Further action by Government is fraught with difficulty. To be successful, such action would need to be based on laws which cannot be stuck to, or imposing sanctions which would not be obeyed. It should run with the grain of workers' attitudes, by giving them the opportunity to back away from action broad-based on their own effect on their fellow citizens.

## Comparability

Yesterday's proposal by the CBI meets all these criteria. "Strikes serious enough to endanger the national interest" should require ballots to be held. To hold such a ballot, a certain minority of employees would have to demand it. Any reform along these lines should be taken together with acceptance of the broad thrust of the Megaw Report, which advocates a comparability for public-service workers with private-sector jobs and an ordered approach to public-sector bargaining. Within such a framework, services defined as essential might attract an extra premium.

The most dramatic solution to strikes which carry serious consequences is to ban them; but a free society cannot stop workers from striking if they have an overwhelming urge to do so. The CBI's proposal has the great merit of enforcing a cooling-off period, during which the entire membership could reflect on the consequences of their proposed action. Such reflection would probably not have stopped the water workers from their recent action, since they felt a deep sense of grievance. But it would almost certainly have stopped one, if not both, series of strikes in the National Health Service.

TWO of the faceless giants of the British corporate scene were this week preparing for what could be the highest takeover battle for a long time.

Thomas Tilling and BTR are scarcely household names, but they represent something like £1.5bn of combined equity market capitalisation. BTR, which in the past decade has come from nowhere to become one of the UK's largest and most successful manufacturing companies, has started on a course which could lead to a \$500m-plus takeover bid for Tilling—bringing under its control a bewildering variety of products ranging from Heineken beer and Pirelli tyres to sophisticated American oilfield equipment.

There is all the promise of a fascinating clash of styles as BTR attempts to apply its stripped-down, unsentimental solutions to the problems of the more gentlemanly and traditional Tilling—which has recently had to admit that it has run into a nasty setback after massive moves into the U.S. industrial scene.

For all the supposed sensitivity of Thomas Tilling's bid, the snap after-Easter raid on its shares in the Stock Market by BTR caught Sir Patrick Meaney, the chief executive, and his colleagues in Tilling's handsome Curzon Street headquarters quite by surprise. By last night BTR was thought to have acquired just over 6 per cent of Tilling's shares at 175p each—still far short of its 14.9 per cent target.

Sir Patrick readily admits that when the group's disappointing interim results were published last autumn, and the board realised that the second half was looking equally dull, Tilling was under threat.

"We had worked out what you might call our reverse hit list," he says. "There were quite a few likely predators. We had looked at BTR in the past but we could never see any logic in it. It is a very different animal."

Any full bid by BTR would inevitably come under close scrutiny in Whitehall, at a time when the Government is under fire for a lack of clarity in its merger policy. Recent rulings by the Monopolies Commission and the Government show there are no clear rules for conglomerate mergers.

For example, Lorch was allowed to bid for SUTIS, but its approach for the House of Fraser was blocked—even though Lorch had almost no trading overlaps with the department store. It is a traumatic reversal of roles for Thomas Tilling to find himself on the receiving end of aggressive action by a potential bidder. For in its day Tilling was one of Britain's most successful industrial conglomerates, and over the years it has itself bought dozens of companies—most of them, admittedly fairly small.

The original Thomas Tilling was a horse bus operator in the last century, and the present company was based upon the cash proceeds of the sale of the famous and famous London Transport immediately after the Second World War.

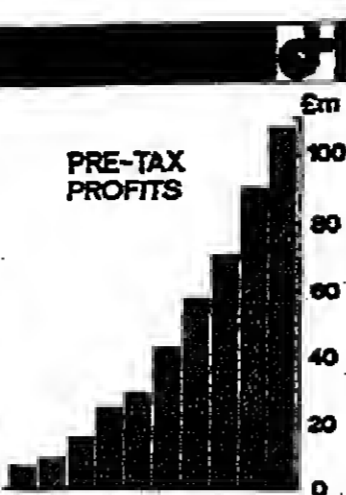


Mr. Owen Green, Chief executive

**GROUP TURNOVER in 1982:** £725m. By area: Europe (including UK)—turnover £397.4m, pre-tax profits £54.6m. N and S America turnover £144.8m, pre-tax profits £20.9m. Asia, Australia, S Africa turnover £178.7m, pre-tax profits £22.5m. Employees 25,700. **SECTORS:** 1981 (latest figures available).

● **Energy and engineering—turnover** £216m, pre-tax profits £27m. Subsidiaries include Serck (valves and heat transfer), Worcester Controls (valves and actuators), Charlton Leslie Offshore (North Sea oil platform modules), BTR Belting (conveyor belting for the coal industry).

● **Materials handling—turnover**



PRE-TAX PROFITS

£14m, pre-tax profits £42m. Subsidiaries include BTR Home, Hayek, Scove Woodward, BTR-Fermat.

● **Transportation—turnover** £120m, pre-tax profits £16m. Subsidiaries include BTR Faced (automobile carpets), Peadar (bonded mouldings), Serck Heat Transfer (aero engine heat transfer equipment), Greengate Industrial Polymers (base and mouldings), BTR Fermat (glass reinforced plastic engine components).

● **Other operations—turnover** £90m, pre-tax profits £12m. Principal activities—medical tubing products, printers blankets, wheels and running gear components for fighting vehicles, squash balls, badminton rackets, plastics moulding.

Starting with cash and one or two companies like Cornhill Insurance, Tilling set out on the path which led to its becoming a leader of the new breed of industrial holding company. During the 1960s its pre-tax profits grew strongly from £4.3m to £12.9m, and the momentum was maintained for much of the 1970s too.

Tilling's style at that time was marked by caution and careful housekeeping. All-out growth was never its objective—it showed in deals like the disposal of Volkswagen UK to Lorch in 1975 that it was ready to sell companies as well as to buy them.

The mid-1970s, however, brought the retirement of the key figures in Tilling—Sir Geoffrey Eley, the chairman, Mr Kenneth Chapman, managing director, and the finance director Mr Stanley Harding.

Taking over as managing director in 1973, Mr (now Sir) Patrick Meaney faced the challenge of business maturing, and it was largely confined to the sluggish UK economy.

Gradually a change in strategy emerged. Rights issue in 1977 and 1978 were justified by the need of finance long-term overseas expansion, and in particular Tilling made a large number of U.S. acquisitions in areas ranging from medical supplies to electrical wholesaling, together with a strong push into the energy equipment industry. Total spending on U.S. acquisitions has topped \$500m. In stepping up its expansion drive, however, Tilling was taking on extra risks at a time

of a sharp worsening in the world economy. Pre-tax profits slumped at £31.1m in 1979, then began to slip. A slump in UK profits was only partly offset in 1980 and 1981 by profits from the new U.S. acquisitions, which in any case were reduced by heavy borrowing costs.

The share price began to weaken. The 1981 high of 196p was not regained in 1982, despite a buoyant stock market, and at one stage earlier this year the price was as low as 108p. Increasing gloom about the 1982 results was more than justified last month when the group revealed a slump in profits to £43.7m.

A specific trouble spot was the energy equipment business in the U.S., which tumbled to losses of £16.8m. Meanwhile with net borrowings increasing by £88m to £307m during the year, group interest charges jumped from £34.1m to £49.5m. Below the line, Tilling charged £20m extraordinary losses and provisions.

BTR, the company which is fishing in Tilling's troubled waters, could also be viewed as an industrial holding group, although it has developed more narrowly as a manufacturing group—starting in the rubber and belting industry and expanding into engineering and other sectors.

It is a remarkable success story, attributable very largely to the drive and determination of its chief executive, Mr Owen Green. An accountant by training, Mr Green took over the reins at the then obscure BTR back in 1967.

For years BTR remained a

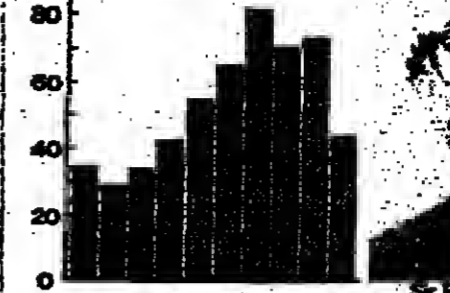
## BTR's RAID ON THOMAS TILLING

By Barry Riley and Ray Maughan

## The hunter becomes a target

By Barry Riley and Ray Maughan

## Thomas Tilling



PRE-TAX PROFITS

**GROUP TURNOVER in 1982:** £2,227.6m. By area: UK—profits before interest and tax £68.8m. U.S. £15.1m; rest of world £127.7m. Employees 44,286. **SECTORS:** 1982.

● **Manufacturing engineering—turnover** £10.8m, pre-tax profits £1.8m. Subsidiaries include: Clinec International (climbing equipment), Clarkson Industries (servo motor control equipment, air compressors), DCE Volvo Group (station ad pollution control), Gascoigne (agricultural equipment).

● **Health care—trading profits** £12.6m. Principal subsidiary: Intermed (hospital equipment).

● **Industrial equipment distribution—trading profits** £10.7m. Principal subsidiary: Newey and Eyre.

● **Insurance—trading profits** £12.3m. Principal subsidiary: Cornhill Insurance.

● **Other activities—trading profits** £9.5m. Subsidiaries include: Heinemann Publishers, Pretty Polly hosiery.

manufacturers, Ticon (ready mixed concrete, road surfacing).

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against Tilling is clearly to some extent an opportunistic one aimed at taking advantage of Tilling's short-term problem in the U.S. and its excessive level of borrowings.

Yet there are also more fundamental signs that Tilling has been losing some of its grip upon its subsidiaries, not least because they are much more numerous and more widely dispersed geographically than they were a decade ago.

The most obvious symbols of the difference in styles of the two groups are their head offices. Sir Patrick Meaney operates from an elegant 18th-century Mayfair mansion called Crewe House, set amidst manicured lawns. Tilling is proud enough of this luxurious state home to depict it upon the cover of successive annual reports.

Mr Owen Green, on the other hand, is based in a nondescript building—which looks something like a municipal lending library—overlooking Westminster School's playing fields. Inevitably there will be something of a personal clash between Sir Patrick Meaney, who is active in the CBI, and has a string of outside directorships at companies like Bank Organisation and Midland Bank—and the much more down to earth Mr Green, who is little known outside his own company (though word had spread far enough by last year for him to be voted Businessman of the Year).

In making any bid, BTR may emphasise the need to take the knife to some of Tilling's more luxurious aspects, such as Crewe House. But the argument will also be about whether Tilling has committed strategic errors, which BTR could correct.

Hanson Trust's expansion strategy has centred upon fairly large, low risk acquisitions. And BTR has concentrated upon buying businesses within a relatively narrow industrial field—although like Tilling it has sought geographical diversification in the U.S., were it has bought companies such as Huyck Corporation, a supplier to the papermaking industry.

In contrast, Tilling has made a relatively large number of small, risky investments in a variety of fields. The way that big profits in energy equipment have abruptly turned into losses emphasises the risks of this strategy, and although some of its high technology acquisitions may offer growth possibilities, they could also pose a considerable challenge to the group's management.

If it comes to an outright take-over bid, Tilling will be reassured by the knowledge that it has great experience in the art, if only from the bidder's end. It will also gain confidence from the way that a former intended victim of BTR, Restobel, managed to fight off an attack back in 1979.

But if Tilling loses, the consequence is likely to be a large-scale restructuring of this rambling group which only recently celebrated its first acquisition in Japan, but now has to concentrate upon defending its home base.

## Men &amp; Matters

## ... bad for business

In what the New York Times calls an "unusual grass roots movement" business executives are organising themselves into groups against nuclear proliferation and excessive military spending.

Stanley Weiss, chairman of American Minerals, is head of a national group based in Washington which is calling itself Business Executives for National Security.

"Put simply, being dead is bad for business," he says.

Meanwhile, Louis Fischer, chairman of Frycor, a restaurant management company, is leading Philadelphia's Business Executives for Nuclear Arms Control.

Other, similar, groups exist in Boston, Chicago, Manhattan, Brooklyn, and even in President Reagan's own state of California.

Fischer says: "We are bringing a measure of credibility to the issue. We are not traditional peacekeepers and they just can't dismiss us as dupes of Moscow."

## Capital shares

Bonnie de Loof, aged 39, moved into property dealing when she became bored with nursing. She has since become an expert in property timesharing—the sale of a share in a villa, house, or apartment, for just a week or two each year.

But whereas traditional timeshare sales have been mainly concerned with the sea and ski trade—beach apartments and mountain chalets—she is busy selling little pieces of central London to U.S. clients.

Bonnie lives in Ann Arbor, a Michigan university town. But she is spending almost half her time in London this spring selling apartments carved out of a

Sloane Gardens town house. About 100 weeks have already been taken—at prices up to \$12,000 for a single week each year for a period of 35 years.

When the Sloane Gardens property has been sold the consortium of business executives backing the project intends to convert other London town houses into similar luxury apartments and to extend the time sharing concept.

She is selling on the basis



**John Foord** + Co  
Industrial  
valuers

# FINANCIAL TIMES

Friday April 8 1983

**BELL'S**  
SCOTCH WHISKY  
**BELL'S**

William Chislett looks at a decisive step to ease the foreign debt problem

## Breathing space for Mexican companies

MEXICO'S scheme to help private companies reschedule about \$15bn of mainly short-term loans to their bank creditors abroad is a decisive step towards easing the country's nightmarish foreign debt problem. Mexico's bankers are not entirely happy about the scheme under which companies can buy dollars for future delivery at favourable rates, providing they manage to reschedule their debts over a minimum six-year period. The scheme, however, provides a vital breathing space for companies. Many private companies are being driven to the wall by the massive extra costs in peso terms of servicing their debts caused by the 82 per cent devaluation of the currency over the past year. Many have made no repayments of principal in the past eight months. The rescheduling also means that the Government, battling with an acute liquidity crisis, is under less immediate pressure to supply dollars to the private sector for settling debt. It will also now be able to claim the second \$1.1bn tranche of its \$3bn commercial loan, contingent on Wednesday's agreement. The dramatic plight of the private sector, which accounts for about 40

per cent of Mexico's estimated \$144bn gross domestic product, was underscored by a recent report from the Mexican brokerage house Estrategia Bursatil. The report stated that at the end of last September the 102 most actively traded companies on the Mexican stock exchange owed their foreign banks an average 1.03 times more than their net worth. The situation has since deteriorated. The basic principle underpinning the scheme, to the great relief of bankers, is that the Bank of Mexico will continue to make dollars available at the controlled rate (now 109 pesos to the dollar) to keep up private sector interest payments which are estimated at \$2bn this year. The rate on the free market is almost 150 pesos to the dollar. The question of interest payments is crucial for U.S. banks, in particular, because if payments are badly in arrears banks are required to start to write off or at least reclassify the loans. Mexico's interest payment arrears on private sector debt had already reached about \$900m for the period August 1982 to January 31 1983 and a formula satisfactory to the U.S. regulatory authorities had

to be worked out earlier in the year to avoid reclassification. To repay principal companies will be able to use their own pesos or those borrowed at less than the current market rate to buy dollars at fixed monthly rates from a special government trust fund. These dollars will be used to repay the principal after a rescheduling

ment will be lower than the controlled rate and will become more favourable the longer the period of rescheduling. For example, the starting rate for the minimum six-year rescheduling period is 84 pesos to the dollar while the cost for an eight-year period, including four years grace, is 15 pesos.

### PETROL GOES UP BY 20%

Mexico yesterday increased the price of its petrol by 20 per cent to compensate for declining export revenues caused by the drop in world oil prices. The price doubled last December when the Government of President Miguel de la Madrid took office. The petrol price rise followed a 22 per cent increase in milk prices, a move which has been denounced by labour leaders.

The central bank claims that these are not subsidised rates since the pesos will be invested in government securities and, with interest added, will match the prevailing exchange rate by the time repayments of principal are made. Nevertheless, they represent considerable immediate relief for companies. Companies can also eliminate

ing agreement has been worked out, but not before 1988. The nationalised banking system will make loans available to companies to buy the dollars to repay principal at the rate of interest given to depositors, not at its higher lending rate which takes into account profit margins. The rates at which companies can buy dollars for principal repay-

## Russians 'could lead world gold producers'

By David Buchan in Brussels

THE SOVIET UNION could overtake South Africa as the world's largest gold producer by the next decade, and increased earnings from its gold sales could offset half the projected decrease in Soviet hard currency revenue from energy by 1990. This forecast was made yesterday by Prof Michael Kaser, of St Antony's College, Oxford, to a Nato conference on the Soviet bloc economy. Of the two countries which still account for four fifths of the world's newly mined gold, South Africa has sunk from 1,000 tonnes in 1970 to 650 tonnes in 1981, while Soviet gold production has risen from 264 tonnes in 1970 to 346 tonnes in 1981, and Prof Kaser believes it could reach 460 tonnes by 1990. The forecast, the only one of its kind in the absence of a forward estimate by the Central Intelligence Agency, is based on new resources now on the point of exploitation in Uzbekistan and Armenia.

to the former there are shallow 'low-grade' ores cheaply available by open cast mining, according to Prof Kaser, while in Armenia the Zed deposits are high grade and partly obtainable by strip mining. In addition, gold production elsewhere in the Soviet Union could benefit from manpower 'skilled and experienced in cold-weather operations' that will become available once the BAM railway and the Urengoi gas pipeline are completed in the mid-1980s, Prof Kaser believes. The fall in oil prices according to several estimates, is likely to lead to a drop in Soviet hard currency earnings from energy to \$10bn-\$12bn a year by 1990, down from \$17bn in 1980. If so, gold could make up half the loss, possibly earning \$6bn in hard currency - assuming a \$500-ounce price - as against \$2.7bn in 1981. In contrast to the steady South African gold sales policy, Moscow has previously been erratic in putting its yellow metal on Western markets. Prof Kaser, however, detects a closer correlation in recent times between increased Soviet gold sales and years in which the Soviet Union has run a wider visible trade deficit, even when the gold price has been relatively low. In this sense, gold has become a steadier, more normal Soviet export, especially in times of hard currency shortfall.

Gold, Page 33

## Credit Lyonnais suffers 34% profits fall as provisions treble

By David Marsh in Paris

CREDIT LYONNAIS, the second largest French nationalised bank, yesterday announced a 34 per cent fall in net 1982 profits to FF11.1m, above all due to a three-fold increase in provisions on loans to 'problem' countries, which leapt to FF1.48bn. The profits slump came in spite of a big improvement in the bank's operating result in France and abroad. This allowed Credit Lyonnais to follow a more realistic provisions policy than in the past and also to show prudence in the face of the world economic crisis. Jean Defassieux, the chairman, said yesterday. The profits declaration was the first for the 1982 year by France's big nationalised banks. The pattern of sharply higher provisions on foreign loans - M Defassieux mentioned Brazil, Mexico, Argentina, Poland and Nigeria as the chief problems - seems likely to be followed by the other banks. M Defassieux stressed, however, that Credit Lyonnais was a special

case as it needed to catch up with an insufficient level of provisions in the past. Mainly because of poorer earnings performance, the bank was under-provisioned to the tune of about FF7.5bn compared with Banque Nationale de Paris and Societe Generale. The results show that the Socialist Government is allowing the state-owned banks to follow reasonable policies in making provisions, he said. Operating results before provisions and depreciation of the bank and its foreign branches - not including foreign subsidiaries - rose 39.7 per cent last year to FF4.81bn. This was mainly because of better profits domestically, in spite of the fall in French interest rates. Overall provisions rose 84 per cent, however, to FF3.77bn. The difference was marked between provisions against doubtful debts to clients and on 'diverse risks', which increased by a relatively modest 20 per cent, and those on

loans to heavily-indebted countries, which rose 192 per cent. M Defassieux said only 15 per cent of the bank's foreign loans portfolio was with problem nations in Latin America and Eastern Europe. He admitted that a part of international bank lending to these countries would never be recovered. The bank's balance sheet during the year - 57 per cent of which is in foreign currency - rose 21 per cent to FF9.90bn. Pointing to the fall in credit ratings of New York banks with heavy foreign exposure, M Defassieux said French banks faced much smaller risks leading to nationalised industries at home than to foreign countries. He pointed out that the banks were under-capitalised internationally and needed higher provisions than their foreign counterparts. Underlining the costs of banking in France, he said penalties and total costs of the system of credit ceiling limits added up to FF200m last year.

## U.S. seeks to block loan for Hungary

By Anatole Kalinsky in Washington

THE REAGAN Administration is trying to force the World Bank to impose more rigidly the income standards which govern developing countries' eligibility for World Bank loans, in an attempt to block \$238m of loans to Hungary, which the bank's board is expected to approve this summer. If the U.S. manages to stop the Hungarian loans, for grain storage facilities and industrial energy conservation, World Bank lending to other countries with per capita national incomes near the theoretical cut-off point of \$2,650 (in 1980 prices) could also be threatened. Two countries which would almost certainly be affected are Yugoslavia and Uruguay. The U.S. argument, which is almost certainly motivated in part by the Administration's embarrassment about World Bank lending to communist countries at a time when it is asking Congress to approve U.S. contributions to both the bank and the International Monetary Fund, is that Hungary's national income per capita is substantially higher than the \$2,100 calculated by World Bank and IMF statisticians. The issue arises in part because the Hungarian Government's own data, presented in World Bank statistics before Hungary joined the bank last July shows an income per head of \$4,180. The difference between the two figures is due mainly to the exchange rates used and to the fact that communist countries use a definition of net material product which excludes services and differs significantly from gross national product. The World Bank states that the new statistics which the Hungarian Government produces 'in a very professional manner in accordance with United Nations standards' are the relevant ones to use. The U.S. is not likely to argue seriously that the Hungarian gross national product (GNP) per head is as high as \$4,180, but simply that it is above \$2,650. World Bank officials say that the dispute will therefore reopen the question of whether the bank should abruptly cut countries off from its loans as soon as they cross an arbitrary income threshold, or whether they should be 'graduated' slowly. The bank believes strongly that in the current international debt crisis it should adopt a more lenient approach to graduation and the U.S. appeared to have acquiesced to this position. World Bank move on aid, Page 8

## Europeans seek joint strategy

By Paul Betts in Paris

A GROUP of 17 of Europe's leading businessmen is teaming up in a most unusual combination. Their aim is to develop jointly ways to create a solid common industrial base in Western Europe which would enable them to compete against U.S. and Japanese enterprises. The businessmen, a veritable 'who's who' of European industrial heavyweights, include the head of Shell Transport, Olivetti, Philips, Nestle, ICI, Volvo, Unilever, Renault, not to mention Fiat, Bosch, St Gobain, Thyssen and Ciba-Geigy. Yesterday they completed their first meeting in Paris with plans to set up an informal club to discuss industrial cooperation. 'Never before has such a group been assembled,' Mr Pehr Gyllenhammar, chief executive of Volvo, said yesterday. Although the businessmen did not discuss any specific cooperation ventures, the meeting set the basis for future discussions on developing a joint industrial strategy for European enterprises. Mr Gyllenhammar said the businessmen agreed that there was urgent need to upgrade Europe's infrastructure, roads and communications.

## Indonesia chemicals complex to go ahead

By Carla Rapoport in London

A CONSORTIUM of private Indonesian businessmen is expected to go ahead with plans to build a \$600m chemicals complex in North Sumatra. News of this private project comes as plans for two government-backed petrochemical plants for Sumatra, announced by Jakarta just a year ago, appear to be running out of steam. They have been slowed by the balance of payments difficulties Indonesia is experiencing as a result of falling oil prices. Sim-Chem, a division of Simon Engineering of the UK, is expected to win the main contract for the plant. The company said yesterday that a letter of intent had been signed with Subentra, the private Indonesian consortium, and that full agreement was expected shortly. Mr Jim Smith, managing director of Sim-Chem, said yesterday that the Subentra deal was 'the biggest contract anyone has seen in the process plant business in recent times.' Construction of the plant is expected to begin later this year at Lhok Seumawe on the northern coast of Sumatra, Indonesia. The complex, which is scheduled to start production in 1986, will have the capacity to produce annually 155,000 tonnes of chlorine, 240,000 tonnes of

vinyl chloride monomer - an intermediate in the production of polyvinyl chloride - and 72,000 tonnes of polyvinyl chloride (PVC), a versatile plastic largely used by the construction industry. Subentra, intends to licence the technology for the complex from Imperial Chemical Industries, Britain's largest chemical company. ICI said yesterday that it would also be responsible for the supply of technical, manufacturing, marketing and business management expertise to assist Subentra in establishing its business. ICI confirmed yesterday that negotiations for the project were 'well advanced,' adding that its management agreement would include arranging for raw material supply and product purchasing. Just a year ago the Indonesian Government announced plans for two petrochemical plants, a \$1.5bn olefins complex in Arun in North Sumatra, and a \$1.6bn aromatics complex in South Sumatra. These projects have been undertaken as joint ventures between the Government and U.S. European and Japanese companies. It is now thought that their progress may be slowed by balance of payments difficulties resulting from the declining oil prices.

## World Weather

Place	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud
Alaska	15	10	10	15	10	10	15	10	10
Alaska	15	10	10	15	10	10	15	10	10
Alaska	15	10	10	15	10	10	15	10	10
Alaska	15	10	10	15	10	10	15	10	10
Alaska	15	10	10	15	10	10	15	10	10
Alaska	15	10	10	15	10	10	15	10	10
Alaska	15	10	10	15	10	10	15	10	10
Alaska	15	10	10	15	10	10	15	10	10
Alaska	15	10	10	15	10	10	15	10	10
Alaska	15	10	10	15	10	10	15	10	10

## Brazil's trade surplus

Continued from Page 1

The promotion of semi-barter trade with former major markets, such as Mexico, Nigeria and Venezuela, all of which have suffered recently from their own liquidity crises, has been a main theme of Brazilian policy for months. One obvious obstacle in the way of trade boosts with these particular countries is that higher oil imports from them would reduce the large savings Brazil hopes to make on its \$9.6bn annual oil bill - savings regarded by the Government as perhaps its best way of achieving the desired trade goal. Sr Ernane Galvao said on Tuesday that the March oil import pay-

ments were \$282m down on the same month last year. In the first quarter, oil imports were 17 per cent down by value on the corresponding period. Brazil is one of the biggest beneficiaries from the oil price war gathering pace between the major producers. It estimates that every \$1 drop in the market price of oil represents a saving for the country's trade balance of \$250m. In March, Brazil's imports totalled \$1.19bn, while exports recovered strongly from their lacklustre performance in January and February to hit \$1.11bn.

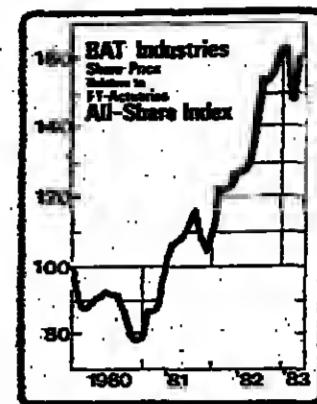
## Shares soar as £ reverses

Continued from Page 1

this effect. Profit-taking in a thin market - itself inspired partly by fears of lower bank base rates - took three-quarters of a cent off sterling's exchange rate against the dollar. This closed in London at \$1.5076. The pound also fell 1.75 pips to DM 3.6425, but otherwise held up well. Its effective exchange rate, measured against a basket of currencies by the Bank of England's trade-weighted index, fell 0.3 to 80.8 (1975 = 100). Gilt edged, as has become their habit, followed sterling.

## THE LEX COLUMN

## BAT scores a boundary



The old picture of BAT Industries - as a sleepy establishment giant uncomfortably exposed to a single mature industry - had been effectively discarded even before yesterday's remarkable preliminary statement. Like Unilever, BAT has worked hard to show that it is more than just a barometer of the western consumer's propensity to eat frozen food or smoke cigarettes. The announcement of a 25 per cent rise in pre-tax profits for 1982 - to £256m - takes the rehabilitation a stage further and strengthens BAT's defence against a principal residual criticism: that it is a poor buyer and manager of non-tobacco businesses. The group has pulled its packaging interests through a recessionary year with little loss of trading profit, while the paper companies have increased their contribution by 60 per cent.

Even the long-standing thorn in BAT's side, International Stores, has at last managed a trading profit and its latest acquisition, Marshall Field, has produced an £8m surplus over funding and internal financing costs in the first eight months of consolidation - admittedly the stronger seasonal period. This, of course, is much less than half the story. Tobacco still accounts for roughly three-quarters of trading profits and the group's performance remains heavily influenced by short-term currency movements, which last year were worth roughly £100m at the pre-tax line. But it is the non-tobacco interests which may this year determine whether BAT can extend its recent rescaling and adopt a more dynamic image. Even after yesterday's figures, which saw the shares rise precisely 10 per cent to 710p, the yield is a stodge 5.8 per cent on a dividend covered almost three times by reported current cost earnings.

The West German operation is having to absorb substantial duty increases as well as an attack from cheap generic brands and the pricing structure in Brazil is too precarious to offer any guarantee of progress on the scale of last year. In the U.S., meanwhile, a doubling of Federal taxes will probably cut industry volume by around three per cent and, with the low-tar Barclay now turning out of steam, BAT cannot be sure even of maintaining its 13.4 per cent market share. BAT has invested heavily, particularly in the U.S., to improve the productivity of its cigarette plants,

but this year it may be the other bits and pieces which make the running.

### Grattan

The full-year results of Grattan make it abundantly clear why, industrial logic aside, the company was so keen on a link with Sears Holdings. After the successful shrinkage of a few years ago, the recent drive for growth has turned into an unmitigated disaster. After a £24m increase in agency recruitment costs and £3m of exceptional stock write-downs, Grattan has collapsed from pre-tax profits of £5.2m to a loss of £1.1m in the year to January. The situation would look grimmer still but for the decision to bundle £3.3m of start-up costs on the new direct mail catalogues below the line. But, in Grattan's case, academic exercise. The real worry is how a balance sheet whose main assets are stock and trade debtors can comfortably support debt which totalled £25m at the end of January and has risen by a few million since. The shares, meanwhile, dropped 6p to 58p yesterday, a level which says more about Sears Holdings' supposed intentions than about Grattan.

### Ladbroke

Ladbroke cut back on its property dealing sales last year in the light of the dull London market, so profits here have tumbled 43 per cent to £3.5m. Nevertheless, after the small first half downturn, pre-tax profits have recovered strongly, to end the year £4.4m higher at £36.2m. The key to the second half recovery has been the betting chain,

where the contribution for the six months may have risen by 65%. Elsewhere, the boom in videos and home computers has helped to boost Ladbroke's contribution from an annual £1.1m to £2.4m. In 1983 it should take up the running with a tariff rise now coming into effect, while delayed property deals should be consummated. So the group seems on target for £40m-plus pre-tax profit. The 1982 interest charge, less leasing rental income, has jumped by £3m to £6.7m as the leasing book has been run off to finance the high level of capital expenditure. Ladbroke's very own business cycle completes its current round in 1984, when the casino cash ploughed into UK and U.S. property developments starts to return. Profits should then exceed the casino-related peak of £49.2m in 1979. For the cycle subsequent, the cash seems likely to be directed towards U.S. property and UK cable. The shares rose 10p yesterday to 20p, where the yield is 5.8 per cent.

### International Thomson

Sterling's weakness against the U.S. dollar in 1982 has accentuated each of the three major trends apparent in the International Thomson Organisation's results for the year. Most obviously, the recent sterling value of North Sea oil has held energy profits at around their 1981 level despite lower dollar crude prices. Elsewhere the currency factor has disadvantaged an already beleaguered UK travel business and a £10m downturn here partly reflects the lack of windfall exchange gains worth £5m in 1981. The strong dollar, on the other hand, has added 15 per cent to the sterling value of U.S. sales and has underlined the £3m profits advance in the U.S. publishing subsidiaries. This advance has helped to bring group operations in the U.S. from a loss of £2.8m to a profit of around £8m, roughly balancing the travel losses and producing a virtually flat trading performance around £14m with oil and gas still accounting for about 20 per cent. The slippage in pre-tax profits, from £108.3m to £106.5m, has appropriately enough flowed from higher borrowing to fund expansion in the U.S., and the group has spent £40m on another three U.S. publishing businesses while investing £12.4m to broaden its existing interests in this sector.

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## U.S. \$20,000,000 SUNDSVALLS BANKEN FLOATING RATE CAPITAL NOTES DUE 1985

For the six months  
 8th April, 1983 to 11th October, 1983.  
 In accordance with the provisions of the Notes,  
 notice is hereby given that the rate of interest  
 has been fixed at 10 per cent and that the interest  
 payable on the relevant interest payment date,  
 11th October, 1983 against Coupon No 10 will be U.S. \$51.67  
 Agent Bank: Morgan Guaranty Trust Company of New York, London

# INTERNATIONAL COMPANIES and FINANCE

## Strong advance for GIB

By Mary Frings in Bahrain

GULF INTERNATIONAL BANK (GIB) yesterday announced a 1982 profit of \$50.8m following the ordinary general assembly chaired by Mr Abdullah Hassan Saif, governor of the Bahrain Monetary Agency. This is a 46 per cent improvement on the \$34.6m reported for 1981. Unlike Arab Banking Corporation (ABC), whose 1982 profit and loss account shows \$30m for loan portfolio support, GIB has made no specific provision for bad and doubtful loans beyond the normal reserve appropriations. GIB, which was established almost five years earlier, has a smaller equity and asset base than ABC but its loan portfolio of \$3.3bn is now bigger than ABC's \$2.9bn. Assets were up 38 per cent to \$8.2bn and loans increased by 43 per cent. It has been decided to distribute a BD 1m (\$2.65m) dividend to each of the seven shareholder states.

## HK commodity exchange asks chairman to quit

BY ANDREW FISHER IN HONG KONG

HONG KONG'S commodity exchange has acted to preserve its image by calling for the resignation of chairman Mr Peter Scales, whose securities dealing licence was taken away last week. Mr Scales, aged 50, has been chairman of the fast-growing exchange since it was set up more than five years ago. The loss of his registration to deal and advise in securities had no connection with activities on the exchange. It was related to alleged misconduct in a brokerage firm called Wustock Brokers, owned by Mr Scales and his wife, Mrs May Wu Scales. The registration was revoked in an order by Mr Robert Fell, the securities commissioner. The exchange said in a statement the board "has agreed to take steps to send a written request to Mr Peter Scales asking that he resign as a director and chairman."

## Cycle and Carriage lifts profits by 45% at midway

SINGAPORE—Cycle and Carriage said its group pre-tax profit rose by 45 per cent to \$540.6m (U.S. \$19.3m) in the half-year ended March 31, 1983, compared with the same period in 1981-82.

Group turnover rose by 14.8 per cent to \$518.1m. Turnover in Malaysia rose by 39.5 per cent to \$584.1m, while sales in Singapore fell by just under 1 per cent.

C and C said its Mercedes division in Singapore did well, despite lower fleet sales of commercial vehicles. The Mitsubishi divisions in both Singapore and Malaysia benefited from sales of new models.

Investment income was \$52.3m, more than \$51m of which was interest received on loans to Newman Industries. C and C has just sold most of its stake in that concern.

The company said its share of profits from associated companies

rose by 90 per cent on a 38 per cent gain in turnover, and that new passenger car sales in both countries rose despite the recession.

C and C has declared an interim dividend of 12 cents, up from 10 cents in the first half of the previous fiscal year.

Meanwhile, Pan Malaysia Cement Works (PMC) said its subsidiary, PMC Holdings, has paid a total of \$556.8 for a 10 per cent stake in Cycle and Carriage.

There have been rumours about a takeover of C and C by Malaysian United Industries, of which PMC is a subsidiary. The holding company said that as an investment company it would from time to time invest in the equity of companies. The 18m C and C shares were purchased through its internal cash resources, it said.

AP-DJ

## Alusuisse sees return to black in 1984

BY JOHN WICKS IN ZURICH

ALUSUISSE, the Swiss aluminium producer, will stay in the red this year but should return to profits in 1984. This year had got off to a bad start because of the time lag needed for improved metal prices to work through to earnings, said Mr Emmanuel Meyer, chief executive. However, the industry expects some improvement in the second half of 1983.

As a result this year's performance from Alusuisse would be a shade better, and by 1984 the company should be back to profits.

Earlier this year, Alusuisse reported a net loss for 1982 of SwFr 178m (\$57.3m) and said that it would not be able to pay a dividend. In 1981, a net loss of SwFr 52m resulted in a dividend halved to SwFr 12.50 a share.

The group deficit last year would have been much higher had it not been for the creation of a SwFr 700m reserve fund from the valuation of bauxite mining rights in Australia, where Alusuisse has a substantial interest in Cove Aluminium. Of the SwFr 700m revaluation,

SwFr 200.2m was taken into the 1982 accounts as extraordinary income to set against part of the group's large-scale restructuring costs.

These costs arise from the difficulties experienced by the aluminium divisions, which last year accounted for 59 per cent of group turnover of SwFr 6.59bn. They include expenditure on the discontinuation of operations, accelerated write-offs, contract modifications and personnel settlements.

Further similar costs totalling SwFr 600-700m will be incurred

over the coming five years, of which some SwFr 200m will have no direct effect on corporate accounts.

Alusuisse's losses originated in the aluminium sector last year. The chemical industry subsidiary, Lonza, recorded a 3 per cent improvement in net profits to SwFr 14.5m and Marmonts the Chicago-based automotive equipment manufacturer a rise in pre-tax earnings of 26.6 per cent to \$67.5m.

Over the past two years, the aluminium divisions have divested capacity.

## Swedish Match sells subsidiary

BY JOHN DAVIES IN FRANKFURT

PERSTORP, the Swedish chemicals and laminates group, is pursuing its strategy of building up specialists: operations abroad by taking over a West German subsidiary from Swedish Match. It is buying Unidur, a maker of surfacing materials for furniture and kitchens, at Burstard.

Unidur is relatively small,

with 140 employees producing sales revenue of DM 32m last year. Perstorp, however, sees it as a technologically advanced production base from which to increase its German revenue. Perstorp earned only 5 per cent of its world sales revenue in West Germany last year, compared with 15 per cent in the UK and 20 per cent in the U.S.

Mr Karl-Erik Sahlgren, Perstorp chief executive, said yesterday that the takeover was in line with the company's conscious policy of finding and building a leading position in fairly narrow "niches" of international markets for high quality products in chemical and related fields.

## Dutch textile group raises dividend

By Our Amsterdam Correspondent

NIJVERDAL-Ten Cate, the Dutch textile group, emerged from 1982 in better shape than had been forecast. Sales, which the company had expected to drop, rose slightly, from the 1981 total of F1 448m to F1 466m (\$171m).

Net profit was up from F1 5.3m to F1 14.8m. In this case, however, the addition of F1 8.6m from property sales and fire insurance accounted for all but F1 900,000 of the increase.

Ten Cate, badly hit in the 1970s and by the slump in the European textile industry, has been restructuring in recent years and appears now to be in a better position to cope with foreign competition.

The management proposes that F1 10.7m of the year's earnings total be transferred to reserves and is recommending a dividend of 8 per cent—2 per cent up on 1981.

## Tax curbs growth at Pakhoed

BY WALTER ELLIS IN AMSTERDAM

PAKHOED, the Dutch transport and storage group, is offering shareholders an unchanged dividend per share of F1 2.30 for the 1982 financial year based on profits up only marginally to F1 33.2m (\$12.2m). Interest charges fell sharply last year, but the effect on earnings was largely cancelled out by a steep rise in tax payments.

Despite the international recession, Pakhoed has performed well in recent years. In 1980, the gross trading result was F1 88m. A year later, the total had risen to F1 97m, and

the 1982 result was F1 105m.

The sharp fall in interest charges last year, from F1 68m to F1 50m—was brought about largely by a decrease in capital invested.

Tax on gross earnings last year came to F1 17.3m, compared with only F1 41,000 a year earlier, while extraordinary losses, mainly arising from exchange rate fluctuations and foreign participations and subsidiaries, doubled, to just over F1 4m.

Pakhoed noted that Paktank, its oil storage division, did not

contribute as much to group profits as in previous years, but said this was to be expected.

Paktank, the transport division, also saw a sharp fall in profits, and there was a decline in the contribution of Pakhoed U.S.A., the main American subsidiary.

Paktank Europa recently entered into a joint venture with the Singapore authorities, which it hoped will prove profitable. Pakhoed itself is expected this month to announce the completion of its takeover of Pandair, the UK airfreight and forwarding subsidiary of P & O.

## Pick N Pay maintains strong growth

By Our Johannesburg Correspondent

PICK N PAY, the South African retail chain, maintained its record of strong growth in the year ending February 28 1983. Turnover rose by 26.5 per cent to R1.2bn (\$1.1bn) from R974m while the year's operating profit before tax was 28 per cent higher at R45.2m against R35.2m previously.

Mr Raymond Ackerman, the chairman, said that the company's marketing strategies were mainly responsible for the trading improvement but that Pick N Pay was helped by the fact that the country's largest supermarket chain, Checkers, lost market share. Although the margin on sales was maintained at 3.66 per cent, it was affected by lower discretionary spending, which altered the hypermarket sales. The new superstores, however, tended to counteract this as their sales had a larger bias toward more expensive items.

The total dividend, has been increased to 61 cents a share from 49 cents, while earnings rose to 141 cents a share from 123 cents.

## Exxon's Italian chemical offshoot makes recovery

BY OUR FINANCIAL STAFF

ESSO CHIMICA, the Italian chemical subsidiary of Exxon, the U.S. reports a major recovery for 1982 and will distribute a dividend.

Net profits of nearly 1.2bn (\$1.39m) compared with a loss of L1.7bn in 1981, which reached as high as L6.2bn following foreign exchange adjustments. Turnover rose 12.3 per cent to L310bn.

Details of the dividend and final amount of net profit were not immediately available given that the company's balance sheet was still being drafted to benefit from an upvaluation of assets.

The four-year tranche of the Treasury's L4,500bn offering of two- and four-year tax-free, variable-yield credit certificates has been fully subscribed, the Bank of Italy reports.

The Central Bank said the Treasury would widen the original L1,500bn offering of four-year notes in response to heavy demand. The two-year certificates are priced at 98.5. The four-year notes are priced at 98. Subscriptions will continue until next Wednesday.

## Danish shipyard in black

BY HILARY BARNES IN COPENHAGEN

BURMEISTER and Wain shipyard reports a 1982 profit of DKr 88m (\$10.3m) after depreciation and allocations, compared with a DKr 150m loss in the previous 18-month period.

The shipyard's parent company went bankrupt in 1980 and the yard's shares are currently pledged to the Government until the bankruptcy proceedings are completed.

The yard's sales last year totalled DKr 1,016m, of which DKr 984m arose from the sale of five panamax bulk carriers.

The yard announced last month that it was slowing down the production schedule and laying off workers in order to stretch its order book through to the end of 1984.

## Globus shows record earnings

BY OUR ZURICH CORRESPONDENT

GLOBUS, the Zurich-based retailer, is to pay dividends of SwFr 80 per share and SwFr 16 per participation certificates for the year ended February 28.

This is equal to the overall payout for 1981-82, which included 75-year jubilee bonuses of SwFr 10 and SwFr 2, respectively.

Consolidated profits rose by SwFr 1.6m in 1982-83 to a record SwFr 15.5m (\$7.8m), on turnover up 4.1 per cent to a record SwFr 1,026m (\$497.6m).

Ciba-Geigy, the Swiss chemical group, is to acquire Titmus Eurocor, the German manufacturer and distributor of contact lenses and lens-care material. The takeover has been approved by the German Federal Cartel Office.

An agreement was signed between the two companies in 1980 to enter the U.S. market for contact lenses. The Swiss group has since been active in this market through Ciba Visioncare, its Atlanta-based subsidiary.

Ciba-Geigy aims to use Titmus Eurocor as a basis for a worldwide expansion of the contact lens and lens-care product business.

These Debentures having been sold, this announcement appears as a matter of record only.

New Issue

March 1983

## Can. \$50,000,000 PanCanadian Petroleum Limited 12 1/2% Debentures due 1993

Orion Royal Bank Limited

Amro International Limited

Banque Bruxelles Lambert S.A.

Commerzbank Aktiengesellschaft

Credit Suisse First Boston Limited

Société Générale de Banque S.A.

Swiss Bank Corporation International Limited

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Limited  
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Banque Nationale de Paris  
Banque Paribas  
Banque du Rhône et de la Tamise SA  
Banque Worms  
H. Albert de Bary & Co. N.V.  
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Continental Illinois Capital Markets Group  
County Bank Limited  
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DG BANK  
Deutsche Genossenschaftsbank  
Domination Securities Ames Limited  
Dresdner Bank Aktiengesellschaft  
Effektenbank-Warburg Aktiengesellschaft  
Enskilda Securities  
Skandinaviska Enskilda Limited  
Fisancière Dewaay S.A.  
Girozentrale und Bank der Österreichischen  
Sparkassen Aktiengesellschaft  
Hambros Bank Limited  
The Hongkong Bank Group  
Kidder, Peabody International Limited  
Kleinwort, Benson Limited  
Kreditbank N.V.  
F. van Lanschot Bankiers N.V.  
Lévesque, Beaubien Inc.

McLeod Young Weir International Limited  
Merrill Lynch International & Co.  
Midland Doherty Limited  
Nederlandse Credietbank nv  
Nesbitt Thomson Limited  
Norddeutsche Landesbank Girozentrale  
Orion Royal Pacific Limited  
Pierion, Holding & Pierson N.V.  
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PK Christiana Bank (UK) Ltd.  
Richardson Greenfields of Canada (U.K.)  
Limited  
The Royal Bank of Canada (Belgium) S.A.  
Salomon Brothers International  
Saxonia International Securities Limited  
N.V. Slavenburg's Bank  
Société Générale  
Société Générale de Banque  
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Vereins und Westbank Aktiengesellschaft  
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Westdeutsche Landesbank Girozentrale

This advertisement complies with the requirements of the Council of The Stock Exchange.

U.S. \$100,000,000

of which U.S. \$50,000,000 is being issued as the initial tranche

## National Australia Bank

## National Commercial Banking Corporation of Australia Limited

(Incorporated with limited liability in the State of Victoria)

11 1/2% Capital Notes Due 1990

The following have agreed to subscribe or procure subscribers for the Notes:

Credit Suisse First Boston Limited

Continental Illinois Limited

Baring Brothers & Co., Limited

County Bank Limited

Crédit Lyonnais

Dresdner Bank Aktiengesellschaft

Nomura International Limited

Orion Royal Bank Limited

Société Générale de Banque S.A.

Swiss Bank Corporation International Limited

The issue price of the initial tranche of the Notes is 100 per cent. of their principal amount. The Notes have been admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the Notes.

Interest is payable annually in arrears on 15th April, the first payment being made on 15th April, 1984.

Full particulars of the Notes are available in the Exel Statistical Service and may be obtained during usual business hours up to and including 22nd April, 1983 from the brokers to the issue:

Rowe & Pitman,  
City Gate House,  
39-45 Finsbury Square,  
London EC2A 1JA  
8th April, 1983

Brasilvest S.A.

Net asset value as of

25th March, 1983

per Cr\$ Share: 256.878

per Depositary Share:

U.S.\$7,712.12

per Depositary Share:

(Second Series)

U.S.\$5,364.63

per Depositary Share:

(Third Series)

U.S.\$4,564.85

per Depositary Share:

(Fourth Series)

U.S.\$4,264.54

## UK COMPANY NEWS

## BAT Industries expands by 25% to £856m

THERE has been a continuation of underlying growth in BAT Industries and with currency changes improving the figures, pre-tax profits of this tobacco, retailing, paper, packaging and printing group expanded by 25 per cent from £684m to £856m for 1982.

Turnover grew by £2,240m, or 24 per cent, to £11,511m, and earnings per 25p share of 124.3p (98.9p) the dividend is stepped up to 27.5p (25p) with a final distribution of 15p net. Also proposed is a three-for-one scrip issue.

Without the benefit of the decline in sterling, turnover and pre-tax profits would have increased by 13 per cent and 11 per cent respectively.

Mr P. Sheehy, who succeeded Sir Peter Macdonald as chairman last year, says that once more the results show the strength of BAT's wide geographical coverage and industrial diversity.

The interim stage, when profits were ahead from £2,280m to £2,520m, the directors forecast a "real advance on last year." Mr Sheehy says that this "only came about."

A divisional split of turnover and trading profits, £720m (£634m), shows: tobacco £4,700m (£3,970m); paper and packaging £1,570m (£1,300m); printing £1,020m (£770m); other trading activities £531m (£440m) and £18m (£22m), which include group central costs.

A geographical analysis of the same figures shows: UK £2,190m (£2,030m); Europe £2,370m (£2,190m); North America £2,480m (£2,350m); Latin America £2,330m (£2,180m).

Operating profits rose from £755m to £1,133m with BAT's share of £406m to £578m and that of Dorcham, the engineering side, slightly better at £253m (£235m). Investments added £121m (£12m).

Pre-tax profits were struck after deductions of £355,000 (£401,000) for administration costs and £2,180m (£1,510m) interest charges.

Tax took £224m (£141m) and after minority credits of £2,000 (£20,000) profits at £856m (£684m) emerged at £857m (£684m).

Stated earnings per share came through well ahead at 124.3p, against 98.9p for 1981 on the old capital. Net asset value per share amounted to 275p (257p).

The directors say that although the volume of clothing sales was relatively buoyant in the closing months of 1982 prices remained almost static and the squeeze on margins continued.

Dannimac - maintained its position as the leading brand manufacturer of ladies outerwear. However, the sector shows little sign of any recovery in consumer demand and 1983 is likely to be a repeat of the previous year.

Group turnover for the year expanded by £3,420m to £11,511m. Of this BAT Industries, which takes in Dannimac, contributed £1,902m (£1,637m).

## HIGHLIGHTS

Let today looks at the full-year figures from BAT Industries which lifted pre-tax profits from £684m to £856m, in large measure on the back of currency movements. But the group did show a worthwhile underlying profits growth in most of its main divisions. The column also looks at Grattan, the mail order company, which appears about to go bust after turning in a £1.1m pre-tax loss for the year, compared with £5.2m profit in the previous 12 months. The loss follows heavy write-downs and agency recruitment costs, and the dividend is omitted. Also featured are the full-time figures from Ladbroke Group where pre-tax profits rose £3.4m to £36.2m mainly due to a strong rise on the betting side and the International Thomson Organisation where profits were slightly down at £108.5m.

(£1,750m) and £170m (£131m); Asia £771m (£568m) and £70m (£49m); Africa £370m (£350m) and £200m (£135m); Australasia £77m (£59m) and £4m (£2m).

The directors point out that growth and operating group central costs and research and development expenditure are charged in the segments where incurred. Royalty income less related expenditure is included in the area in which the licensor is located.

In tobacco, which contributes 75 per cent (same) to trading profits, Brown & Williamson increased sales turnover in the U.S. market and achieved a significant rise in trading profit, reflecting higher cigarette prices and improved productivity and efficiencies. However, its overall domestic market share declined by 0.8 per cent.

Cigarette volume in the UK continued to be depressed so that, even though BAT (UK and Export) increased its market share, its sales decreased against 1981. Although turnover rose it

was more than offset by higher expenses. Exports were only just below last year's very good level and profit increased slightly.

The impact on the year of a very large increase in tobacco tax was a 14 per cent decline in the total German cigarette market. BAT Cigaretten-Fabriken's established brands withstood the competition from imports better than the German industry as a whole and trading profit was down only marginally.

In Brazil, total market sales were depressed by consumer price increases, but Souza Cruz increased its market share slightly, turnover was up some 35 per cent in sterling terms and trading profit by 10 per cent.

Sales volume in the rest of the Latin America area was lower than last year, but turnover and trading profit were up on a cost-price basis.

In Asia, total profits improved as sales volume was maintained. Hong Kong had a difficult year

but trading profit was up as margins improved. Singapore had excellent results, particularly in export markets.

Total sales in Africa were down mainly because of another difficult year in Nigeria but this reduction was to some extent compensated by improved results elsewhere.

Excluding the acquisition of Marshall Field and Co. BAT's retail division's turnover would have been down slightly and trading profit in dollar terms would have fallen by 38 per cent in what was a difficult year for the whole industry. However, with the addition of the 79 stores there were increases of 38 per cent in turnover and 13 per cent in trading profit.

In the UK, International Stores returned to the UK after through rigorous cost control and improvements in productivity. It was decided to withdraw from the Mainstay superstore operation by disposing of the larger units while retaining those which could be merged profitably with the International supermarket business.

Argos gained sales volume through existing showrooms and increased its national coverage, opening a further nine units which gave a total of 124 showrooms at the year-end.

On the paper side, Appleton Papers' trading profit improved significantly in both dollar and sterling terms, reflecting improved selling prices, lower material and pulp costs, and the benefits of completion of a large capital spending programme.

Wiggins Teape's total sales in the UK and Europe were more than 15 per cent up in sterling terms on last year. The UK domestic market was still under

severe pressure and sales volumes were down.

In packaging and printing market conditions in the UK and Europe remained generally weak with strong competition for packaging orders but there was a small gain in profit, arising from some volume growth and continuing productivity improvements.

Other trading activities as a whole show a decline in trading profit against last year which had included a special exchange gain; excluding this, results overall were up.

Mr Sheehy says that an example of the group's confidence in its future is the level of capital expenditure. Expenditure on fixed assets increased from £278m to £341m to give a total of £1,751m (£1,390m) at the year-end. Shareholders' funds at December 31 stood at £3,720m (£2,220m) and total funds employed were £6,440m (£4,900m).

Turnover of subsidiary British-American Tobacco Company rose from £3,310m to £4,040m and taxable profits went ahead to £404m, against £322m. Results of BAT Stores, which include international stores, Mainstay and Argos Distributors show turnover of £1,020m (£779.7m) and pre-tax profits of £598m (£289m) - last year's figures excluded Argos.

Turnover of the Wiggins Teape Group, paper and printing concern, expanded by just over £100m to £577.5m (£487.5m) while profits before tax amounted to £17m, a jump of 59.6m from the previous year. At Wiggins Teape (UK) Ltd, profits were reduced from £18.9m to £14.2m.

See Lex

£3.3m value on Bensons Crisps from USM placing

By Dominic Lawson

Bensons Crisps has arrived on the United Securities Market, via a placing of 720,000 shares of 10p each at 85p by stockbrokers Capel-Cure Myers. The placing represents 15 per cent of the capital, thus valuing the whole company at £3.56m.

The placing is being achieved by the sale of shares pro rata by directors and Finance for Industry. After the placing FTI will hold almost 11 per cent of the equity.

Bensons Crisps in its present form arose from one of the first management buy-outs, which was undertaken in 1980 by the three present directors, Mr Malcolm Jones, Mr Walter Bryant and Mr Michael Keen.

Mr Keen, Bensons' finance director, said yesterday: "The initial start-up finance was £20,000 raised with the help of Keen and we also had a long-term loan of £31,000."

Pre-tax profits have grown from £100,000 for the year to November 1980 to £402,000 for the year to November 1982. At the placing price of 85p per share, the historic price is 17 on a full tax charge. But hitherto the company has not paid a tax charge other than ACT, and on that basis the historic multiple comes down to 8.5.

No profit forecast for the current year is made, although the company is confident of another satisfactory year's trading.

Bensons' principal activity is the manufacture and distribution of potato crisps and savoury snacks, which last year accounted for 93 per cent of sales. Said Mr Jones, "Our core business relates to our small animated electronic models business, and 4 per cent to our pizza business."

Bensons has only an estimated 1 per cent of the national crisp market, but 8 per cent of the market in the North West of England. Mr Keen said that it was not Bensons' aspiration to take more than 8 per cent of any regional market.

Bensons has a wide spread of customers, covering the whole of the wholesale and licensed trades, schools, local authorities and sales direct to the retail market. No one customer accounts for more than 5 per cent of turnover.

Bensons has recently decided to lease a purpose built factory at Newport, Gwent, which will effectively double its crisp manufacturing capacity. It is the intention of the company to build up its north eastern foundations and establish further factories and distribution centres in the UK.

The company intends to pay a dividend of 1p per share in April 1983. In a full year with a level of profit near to the year recently ended the company would expect to recommend dividends totalling 1.5p net per share. At the placing price, this would give a gross yield of 4 per cent.

Dealings should begin on the USM on April 14.

● comment

It is appropriate that the arrival of a crisp company on to the stock market should be effected exclusively by a cashing in of chips by all concerned. Not that there was a need to raise money. Bensons Crisps has proved itself a very efficient cash generator, and currently has £200,000 on deposit. In fact with only a three-year record in its present form Bensons could not have come to the market any earlier. An understandable desire to take advantage of the state of the equity market clearly outweighed thoughts of waiting until a profits forecast was feasible. Yielding about 1 per cent of a market estimated at about £500m Bensons can nibble away contentedly at the giants of the industry without provoking an aggressive response, although the company claims that the market is already extremely competitive. The historic multiple at the placing price of 17 times fully taxed earnings rests partly on the bull market enthusiasm of the USM, although Bensons can point to a particular skill at avoiding a tax bill. The cautious investor might bear in mind that this is a company reliant on one product, and that based on a commodity. A potato Merrydown, no less.

● comment

Most of the 35 per cent improvement in the profit from insurance broking at Stewart Wrightson came from currency factors, which contributed nearly three quarters of the overall advance. The remainder of the advance was made up by an improvement in the investment income item, disclosed for the first time, which showed a rise from £4.8m to £5.3m. In 1982 Stewart Wrightson did not have the benefit of Nasco Karagiant group of companies, a subsidiary as it became an associate company in July 1981, and the last year only includes six months of the income from the group's operations in New Zealand following a reduction in the group's interests. So there is some distortion in the eventual performance. Interest charges also rose from £2.1m to £2.5m. The share remained unchanged yesterday at 260p and are largely overshadowed by the performance of Sevens and Willis Faber, the two stock-market favourites.

● comment

Berkeley rights

Berkeley and Hay Hill Investments says 53.25 per cent of the 7.25m new ordinary shares offered by rights on a one-for-three basis, have been taken up. This remaining shares will be taken up by the sub-underwriters.

● comment

Saatchi & Saatchi

A NEW management structure has been implemented by Saatchi & Saatchi for its main operating subsidiary Saatchi & Saatchi Compton Worldwide. The directors say that the merger of the Saatchi & Compton operations has been rapidly accepted by multinational advertisers and significant account gains have been made.

● comment

In the group worldwide 'three loss-making subsidiaries have been merged or sold, say the directors. Two others are expected to turn a small profit following cost-saving measures, and they say this year's figures are beginning to reflect these improvements.

The directors view both this year's outcome and future prospects with "a great deal of optimism."

## Grattan slides into £1.1m deficit and omits final dividend

ALTHOUGH provision for the modernisation programme at Grattan has been halved in the year ended January 31 1983, it is sufficient to throw the company into a loss of £1.1m, compared with a profit of £522m in 1981-82.

The group has experienced an extremely difficult year. At the trading level the profit has been cut from £506m to £248m. And with interest charges soaring to £3.09m (£810,000), there is only £241,000 (£15,150) available before allowing for the modernisation provision of nearly £1.5m (£2,930m).

At the year-end shareholders' funds had dropped by £3,550m to £27,570m. And they are not receiving a final dividend—the reduced interim of 1p, therefore, stands as the total for the year and goes against a 4.11p in 1981-82. The directors explain the importance of concentrating resources on the rebuilding of the business to ensure the long term future of shareholders' funds.

On the outlook Mr J. M. Pickard, the chairman, says present demand in traditional agency mail order shows little sign of improvement, and it is intended to take further steps to reduce costs in order to move into a profitable situation.

"We are determined to continue our aggressive modernisation and development programmes which have coincided with a period when sales have been sluggish and profit margins squeezed. In these difficult times we are also looking to the future and investing significantly in the direct mail order market, he tells members.

Mr Pickard explains that 1982-83 was a period when increased competition was difficult to achieve, and when the average price per item showed a significant reduction in comparison with the year before. An inflation gap, with costs rising faster than a sustainable price increases, has reduced

See Lex

● comment

Grattan has developed its telephone ordering system and within the next month this will be available to all agents. The chairman stresses that this is an expensive installation. He does not anticipate, however, that this method of ordering will lead to higher bad debt.

See Lex

## DIVIDENDS ANNOUNCED

Current Date of payment of dividend

William Baird £7.5 July 5 7.35 14.25 12.95

BAT Inds 15 July 1 6.5 27.5 23.3

British Vending 0.35 July 1 0.5 0.5 0.5

Burgess 0.5 July 1 0.5 0.5 0.5

Cookson Group 5.96 July 4 5.96 9.66 9.66

Creda Intell 4 July 4 2.25 7 3.75

Dreamland 0.35 July 4 0.35 0.7 0.35

Druck Holdings 1.1 July 1 1.1 1.1 1.1

Erith 2.2 June 2 2.75 4.5 4

Ferry Pickering 0.91 May 12 0.91 2.6 2.6

Finlay Packaging 1.75 May 30 1.75 2.25 2.25

Grattan 1.8 May 30 1.8 2.1 1.6

Ladbroke Group 4.3 May 3 3.83 8 7.43

Mr Morrison 1.15 May 13 1.15 1.6 1.4

Photo-Me Int 3.15 May 13 3.15 4.45 4.45

Reliable 1.25 June 1 1.25 1.25 1.25

Richards (Leeds) 1 June 1 1 2 2

Stewart Wrightson 10.45 July 1 9.15 14.3 13

Francis Sumner Nil May 27 0 0 0

Sanderson Wilsey 3 May 27 3 3 3

Trans-Okeana 1.84 May 26 0.84 2.54 2.54

Valdare 5.5 May 26 3.8 7.5 5.5

Thomas Walker 0.17 May 21 0.17 0.71 0.71

Dividends shown hence per share net except where otherwise stated. † Equivalent after allowing for scrip issue. ‡ On capital increased by rights and/or acquisition issues. § USM Stock. § Includes second interim of 8p.

Wm MORRISON SUPERMARKETS PLC

SUMMARY OF RESULTS (£000's)

	1983	1982
Sales	223,988	198,522
Profit before taxation	8,858	7,637
Taxation	4,659	2,959
Profit after taxation	4,199	4,678
Earnings per share	9.0p	10.1p

Points from the statement of the Chairman, K. D. Morrison:

\*Both Sales (up 12.8%) and profit before taxation (up 16%) reached record levels.

\*Trading developments included a new store opening at Staveley in April and the acquisition of three stores at Eccles, Gainsborough and Southport on January 23rd 1983.

\*New Stores are being constructed at Heywood, due for opening in November 1983, Sheffield and Grantham due to open in early 1984. In addition a major extension at Keighley will be completed in August 1983.

\*Proposed dividend increase by 14.4%.

Copies of the 1983 Annual Report may be obtained from: The Secretary, Wm Morrison Supermarkets PLC, Hillmore House, Thornton Road, Bradford, BD8 9AX.

The better way to shop and save.

## The British Bank of the Middle East

## "Solid growth in a testing year"

Extracts from a Statement by M. G. R. Sandberg, C.B.E., Chairman

Financial Highlights	1982	1981
	£000s	£000s
Share Capital and Reserves	102,873	92,034
Profit for the year after taxation	20,653	14,232
Dividend Paid	12,000	7,500
Total Assets	1,578,634	1,228,455

## General

The Bank continued to make solid growth during 1982, a year in which the world economy as well as the conflicts in the Lebanon and on the Iran/Iraq border had an unsettling effect in the Bank's main area of operation.

The Bank's consolidated after-tax published profits rose to £20,653,000 compared with £14,232,000 for 1981. The dividend paid to the parent company, The Hongkong and Shanghai Banking Corporation, was £12,000,000 (1981: £7,500,000).

The consolidated capital and reserve accounts now total £102,873,000 compared to £92,034,000 at 31 December 1981.

Competition in the banking sector became noticeably stronger as the impacts of tighter trading conditions and a larger number of banks coincided. The growing maturity of local banking institutions is having a marked effect on the financial scene throughout the Middle East and it is predictable that this trend will continue.

At the same time banks with an established and trusted presence backed by an international network are increasingly benefiting from their capacity to provide services outside the Gulf, as well as serve the local retail needs of their customers.

The British Bank of the Middle East, as part of Hongkong Bank, is progressively extending the range of its services in close liaison with other members of the group, especially in the areas of merchant banking and insurance. It is also devoting

much attention to improving service by the introduction of new technology and higher standards of training.

● We are increasingly aware that change will be the main characteristic of the region in the coming years. The Bank will continue to show the adaptability which has always been one of its main strengths, and we remain confident that as we adjust to political, economic, and social changes we shall still contribute to the development of the very important region which we serve.

● The upgrading of the Bank's training facilities throughout the region continued during the year and it is a matter of pride to us that this will enable us to meet the changing needs of our customers more effectively in the future.

● The Staff. Our staff have again proved that the success of our operations depends very much upon their technical expertise and dependability under sometimes hazardous conditions. We are particularly appreciative of the consistently high performance of our staff during the year in the Lebanon under very testing circumstances, and I was very pleased to find them in such good heart when I visited Beirut in February 1983.

The contribution of staff at all levels to the Bank's progress continues to merit commendation and I wish to express my personal thanks, and those of the Board, for this sustained effort.

## The British Bank of the Middle East

Bahrain Djibouti India Jordan  
Lebanon Oman Qatar Switzerland  
United Arab Emirates  
United Kingdom Yemen Arab Republic

member Hongkong Bank group

London Branches: Falcon House, 180 Cannon Street, London W1X 8AA. Tel: 01-493 8331/7 - 195 Brompton Road, London SW3 1LZ. Tel: 01-581 0321/6

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Dutch textile  
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## UK COMPANY NEWS

## Ladbroke ahead 10% to £36.2m

PRE-TAX profits of the Ladbroke Group for 1982 rose by 10 per cent over those of the previous year to £36.2m and the progress that was "particularly evident" in the second half has continued into 1983.

Profits for the second six months rose by 18 per cent to £22.8m compared with the same period in 1981.

Mr Cyril Stein, the chairman and managing director, regards the full year figures as "highly satisfactory" and he is stepping up the dividend by 7.6 per cent to 5p net per 10p share by a final payment of 4.3p (3.87p).

Looking to 1983 he says that with the continuing increase in disposable income and consumer spending the group's leisure and retail operations should again do better.

He points out that the hotels are achieving increases in business and that the property divi-

## BOARD MEETINGS

The following companies have notified shareholders of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the sub-divisions shown below are based mostly on last year's statements.

**TODAY**  
Interim: Scottish Metropolitan Property.  
Final: Amalgamated, Clyde Petroleum, Omska Heat, J. E. England (Willington), Insurance Corporation of Ireland, Lyle Shipping, North British Canadian Investment, Senior Engineering.

under review expanded from £705.2m to £782m.

A divisional breakdown of pre-tax profits shows: hotels, holidays, taverns and machine hire £12.8m (£11.8m); property division net of interest £3.5m

higher depreciation of £405,000 (£359,000), pension fund contribution £257,000 (£223,000), and interest paid £235,000 (£294,000).

Group sales for the full year rose 12 per cent, from £32.8m to £36.8m, and profit before tax advanced 20 per cent, from £13.1m to £15.6m.

Earnings are stated to be ahead from 6.99p to 8.36p, and a final dividend of 3.2p lifts the net total from 4p to 4.8p. The directors also propose to make a scrip issue on the basis of one-for-one to holders registered April 22.

The reorganisation of the structure of the company has been completed and was effective from January 1 1983.

Pre-tax profit was struck after

(£5.1m); other group properties £4.5m (£1.7m); betting and racecourse management £17.8m (£14.5m); social clubs £1.5m (£1.2m); and consumer electronics, video and electronic communications £2.8m (£1.1m).

Deductions included £5.7m (£3.7m) for interest and asset leasing and £0.3m (nil) for the employee share scheme.

After a proportionately higher tax charge of £7.2m (£4.5m), minority interests and pre-acquisition profits, earnings per share emerged lower at 19p, against 21.8p for 1981. Net assets per share rose from 133.5p to 144p.

Allowing for current cost adjustments pre-tax profits came through at £32.6m, compared with £30m, and on the same basis earnings per share were 17p (19.52p).

See Lex.

## Erith improvement continues

IN THE second half of 1982 both sales and profit of builders' merchants Erith continued the improving trend noted at mid-way.

Group sales for the full year rose 12 per cent, from £32.8m to £36.8m, and profit before tax advanced 20 per cent, from £13.1m to £15.6m.

Earnings are stated to be ahead from 6.99p to 8.36p, and a final dividend of 3.2p lifts the net total from 4p to 4.8p.

The reorganisation of the structure of the company has been completed and was effective from January 1 1983.

Pre-tax profit was struck after

higher depreciation of £405,000 (£359,000), pension fund contribution £257,000 (£223,000), and interest paid £235,000 (£294,000).

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Pre-tax profit was struck after

## Photo-Me expands midway to £1.8m on higher sales

Improved pre-tax profits of £1.8m against £1.27m have been shown by Photo-Me International and the directors expect that second half results will match the £1.25m earned in the comparable period last year.

Turnover of this manufacturer of automatic camera-operated photo-booths has been written off as an extraordinary debit this time. Dividends absorbed £40,000 (same) leaving retained losses of £381,995 (£55,980).

On a current cost basis pre-tax losses are increased to £498,496 (£429,440), and net losses per share to 22.2p (12.4p).

## Druck up 25% to £0.46m in first half

First half taxable profits to December 31 1982 of Druck Holdings, electronic pressure measuring device maker, advanced by 25 per cent from £271,000 to £462,000, on turnover ahead by 48 per cent at £1.92, compared with £1.3m.

This close company is paying its first interim dividend since joining the Unlisted Securities Market, of 1.1p net per 5p share. Last year a payment of 1p was made from pre-tax profits of £821,000.

Tax took £255,000 (£187,000) leaving attributable profits of £207,000 (£214,000).

## Expansion continues at Morrison: pays more

FURTHER substantial progress has been made by Wm Morrison Supermarkets in the year ended January 29 1983. Sales have risen 12.5 per cent, from £198.52m to nearly £224m excluding VAT, and profit before tax has advanced 16 per cent, from £7.84m to £9.08m.

After tax of £4.7m (£2.96m), including this time a £1.1m provision for deferred, the net profit has declined from £4.08m to £4.16m, or from 10.1p to 9p per share.

The dividend is lifted from 1.4p to 1.5p net, with a final of 1.15p.

The year saw the opening of a supermarket at Slaveley in April and a major extension of the Victoria Supermarket, Gillingham, Bradford.

Three supermarkets were acquired from Mainstop at Southport, Eccles and Gainsborough. As the effective date was January 23 1983, only one week of trading from these stores is included.

The current year will see the completion of a major extension of the Keston Superstore, the opening of a new store at Heywood in Greater Manchester. Two further stores in Grantham and Sheffield will open in early 1984 and a major store is planned for Preston.

comment  
Wm Morrison Supermarkets is very closely followed in the City, but even so this latest batch of record profits was comfortably ahead of the most bullish forecasts, and the shares quickly jumped 16p to 174p. Firm control of labour costs is probably the area where management can take most credit for the improvement in pre-tax margins to an impressive 4 per cent. But the company has just signed a new annual wage award which at 7 per cent, is almost as inflation.

Last year's profits growth and most likely this year's too, are due to a combination of store openings and inflation. In other words, like for like gains will be hard to come by. This year's capital expenditure is going to be around £13.5m, a sum which can't be funded out of cash flow alone, so a swing into net interest payable is inevitable. But in the medium to long term, Wm Morrison's proven-if conservative management skills point to it being one of the retailers most able to cope with the inflationary pressures which are stripping away. If the company makes £9.5m this year the shares on a multiple of 17.5, there are many less impressive stocks on higher ratings.

## MINING NEWS

## Knobby Lake plans for Comstock Lode gold rush

BY GEORGE MILLING-STANLEY

THE STRENGTH of the gold price, compared with the levels of 100 years ago, and the advances in mining and recovery techniques since that time, have prompted many of today's mining companies to take another look at areas where mining operations ceased long ago.

One of the most famous mining camps in history was situated on the Comstock Lode in Virginia City, Nevada, which was discovered in 1859.

This area is once again in the news, although most of the interest is now being shown by Canadian companies, spurred on perhaps by their failure to secure big claims in the Hamlo region of north-western Ontario, the site of the most recent gold rush.

A number of groups are com-

mitting sizeable funds to develop gold properties which were, in today's terminology, only "high-grade" during the later years of the last century, when gold fetched around US\$15 an ounce.

Mr Earl Macrae, president of the Vancouver-based Knobby Lake Mines, says his company and its partners are preparing final agreements on a plan to turn the Comstock Lode into one of the biggest gold rush areas of recent times.

Knobby Lake's partners are Victor Industries of the U.S. and two other Vancouver-based companies, Resource Resources and Garden Resources.

Mr Macrae's engineers have examined the property thoroughly, and he says they believe the whole area is on the point of becoming a huge open-

pit gold mine.

His group plans to spend Cdn\$150,000 on a detailed development programme in the area, which must, according to one engineer, be regarded as almost virgin territory, so primitive were earlier extraction and processing methods.

Mr Macrae adds that at today's values, billions of dollars worth of gold were extracted from the region, but mining never penetrated below 200 feet beneath the surface in some areas.

"They really only looked at a very small percentage of the property's potential," he added.

Knobby Lake's engineers believe there are at least three significant deposits on the company's property, with a high possibility of further finds as exploration progresses.

## Sullivan negotiates gold deal

CANADA'S Sullivan Mining Group, a former gold producer, is negotiating a deal to explore and develop the Crozier Pashing gold property of Ontario Resources and Development some 35 miles east of Val D'Or.

The property has indicated tonnage of gold-bearing material from previous mining attempts which included underground work.

One estimate of indicated reserves is 946,000 tonnes, averaging 0.23 ounces a tonne.

Sullivan is to pay Crozier/Minunion \$400,000 following completion of the deal and will have the right to acquire a 50 per cent working interest in the property by spending an additional \$1.6m for the de-watering of the mine and for further exploration and development.

## Dome Mines

A consortium comprising the Dome Mines group, Lacana Mining Corporation and Rayrock Mines have decided to proceed to production at an open pit gold property at Boulder Creek, Nevada.

Estimated capital cost of this mine is US\$54m (£15.5m). The mine will be equipped with an 850 tonnes per day cyanide mill and Rayrock's production will start in the latter part of 1984.

## Jackson oilfields get development go-ahead

THE PARTNERS in Australia's Nacowah Block farmout agreement have decided to go ahead with development of the Jackson and Jackson South oilfields in the Queensland sector of the Cooper Basin.

The Jackson and Jackson South oilfields have proven oil reserves of 88.3m barrels.

Partners in the two oilfields are Santos, 40 per cent, Delco Corporation, a subsidiary of CSR, 32 per cent, Vangas, 8 per cent, Claremont Petroleum, 10 per cent, Ampel Exploration, 7.5 per cent, and Oil Company of Australia, with 2.5 per cent.

Santos, operator of both fields, says surface facilities will be designed to handle initial production of 13,000 barrels of oil a day from 21 wells.

A 14 well development drilling programme will start in the second half of this year; wells and facilities are expected to be completed in time to permit oil to commence flowing to Brisbane via the Jackson-Moonie pipeline on February 1 next year.

The specifications may be obtained from the Head Office of the Ministry of Education and Scientific Research (Ministry for Education and Scientific Research), Directorate of University Infrastructure and Equipment, located at 1 Rue Bab el Bhar, Algiers, Algeria (ALGERIE).

Tenders, together with the prescribed accompanying documentation, should be sent to the above address in a double sealed envelope.

The outer envelope should bear no date permitting the identification of the Tenderer, and should state clearly, in addition to the address of the Ministry for Education and Scientific Research, the address of the Ministry for Education and Scientific Research, Directorate of University Infrastructure and Equipment, located at 1 Rue Bab el Bhar, Algiers, Algeria (ALGERIE).

Offers should be received within 80 days with effect from the date on which this notice appears in the National Press, at the Ministry of Education and Scientific Research, Directorate of University Infrastructure and Equipment, located at 1 Rue Bab el Bhar, Algiers, Algeria (ALGERIE).

Tenderers should be accompanied by the local and company documentation specified in Circular No. 27/0.G.C./D.M.P. of the Ministry of Education and Scientific Research, Directorate of University Infrastructure and Equipment, located at 1 Rue Bab el Bhar, Algiers, Algeria (ALGERIE).

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## Cash shortfall expected from Placer operations

CANADA'S Placer Development is expecting a shortfall in cash from operations to finance mineral exploration, development and group operations this year according to the latest annual report.

Unless molybdenum or copper prices increase significantly, Placer said its liquid assets would cover more than 12 months after debt repayments, to a level which could restrict the company's flexibility.

This year's capital spending is expected to be around C\$75m (£42m), including C\$40m on oil and gas, compared with a total of C\$37m over the past three years.

Stringent control of operating costs, and the C\$147m proceeds from last month's issue of shares and warrants should allow the company to continue to expand and take advantage of any investment opportunities.

Strata Oil

AUSTRALIA'S Strata Oil has purchased the 10 per cent holding in Permit EP 100 held by the UK-registered LASMO for around A\$4.6m (£2.2m).

EP 100, located in the Perth Basin of Western Australia, contains the Woodlark gasfield discovered in May 1980.

The deal increases Strata's interest from 26.95 per cent to 36.95 per cent.

## COMPANY NOTICES

**ROBECO**

**ROBECO NV**

With reference to the announcement dated 2nd April 1983, concerning the cash dividend for the financial year 1982, the rate of exchange for the payment of this dividend is 1:1.4025.

**UNITED KINGDOM RESIDENTS**

The gross dividend is £0.31745031 per Sub-share and is subject to the following deductions:

15% Dutch tax	£0.04761905	per Sub-share
15% U.K. tax	£0.04761905	per Sub-share
Exchange and M.N. Costs	£0.00430134	per Sub-share
Net Payment	£0.22451121	per Sub-share

Where 25% Dutch tax is applicable, the following deductions apply:

25% Dutch tax	£0.07935938	per Sub-share
Net Payment	£0.23809093	per Sub-share

Net Payment M.N. Costs
 £0.00430134 | per Sub-share || Net Payment | £0.23378959 | per Sub-share |

Dutch tax is applicable to the calculations as for United Kingdom Residents but relief from United Kingdom tax is immediately obtained provided that the appropriate Income Tax Return is lodged with the claim.

**BOUSSOU SOUCHON NEUVES GERVAS DANONE**

Joint Stock Company with capital of FF 225,495,800

Registered Office: 7, rue de Valenciennes (92nd), Trade Register: PARIS 832 534

**5% BONDS 1972-1987 COMPAGNIE GERVAS DANONE**

is demonstrated at FF 5000

Numerical list of the series including, with the previous series, 100 5% bonds drawn by lot on March 25 1983, making a total of 1,531 bonds, each of FF 10,000, on turnover SOUCHON NEUVES GERVAS DANONE. The interest on these bonds is payable at the rate of 5% per annum, on the basis of 360 days, on the following dates:

13.341 on 13.09.83, 13.341 on 13.09.84, 13.341 on 13.09.85, 13.341 on 13.09.86, 13.341 on 13.09.87, 13.341 on 13.09.88, 13.341 on 13.09.89, 13.341 on 13.09.90, 13.341 on 13.09.91, 13.341 on 13.09.92, 13.341 on 13.09.93, 13.341 on 13.09.94, 13.341 on 13.09.95, 13.341 on 13.09.96, 13.341 on 13.09.97, 13.341 on 13.09.98, 13.341 on 13.09.99, 13.341 on 13.09.00, 13.341 on 13.09.01, 13.341 on 13.09.02, 13.341 on 13.09.03, 13.341 on 13.09.04, 13.341 on 13.09.05, 13.341 on 13.09.06, 13.341 on 13.09.07, 13.341 on 13.09.08, 13.341 on 13.09.09, 13.341 on 13.09.10, 13.341 on 13.09.11, 13.341 on 13.09.12, 13.341 on 13.09.13, 13.341 on 13.09.14, 13.341 on 13.09.15, 13.341 on 13.09.16, 13.341 on 13.09.17, 13.341 on 13.09.18, 13.341 on 13.09.19, 13.341 on 13.09.20, 13.341 on 13.09.21, 13.341 on 13.09.22, 13.341 on 13.09.23, 13.341 on 13.09.24, 13.341 on 13.09.25, 13.341 on 13.09.26, 13.341 on 13.09.27, 13.341 on 13.09.28, 13.341 on 13.09.29, 13.341 on 13.09.30, 13.341 on 13.09.31, 13.341 on 13.09.32, 13.341 on 13.09.33, 13.341 on 13.09.34, 13.341 on 13.09.35, 13.341 on 13.09.36, 13.341 on 13.09.37, 13.341 on 13.09.38, 13.341 on 13.09.39, 13.341 on 13.09.40, 13.341 on 13.09.41, 13.341 on 13.09.42, 13.341 on 13.09.43, 13.341 on 13.09.44, 13.341 on 13.09.45, 13.341 on 13.09.46, 13.341 on 13.09.47, 13.341 on 13.09.48, 13.341 on 13.09.49, 13.341 on 13.09.50, 13.341 on 13.09.51, 13.341 on 13.09.52, 13.341 on 13.09.53, 13.341 on 13.09.54, 13.341 on 13.09.55, 13.341 on 13.09.56, 13.341 on 13.09.57, 13.341 on 13.09.58, 13.341 on 13.09.59, 13.341 on 13.09.60, 13.341 on 13.09.61, 13.341 on 13.09.62, 13.341 on 13.09.63, 13.341 on 13.09.64, 13.341 on 13.09.65, 13.341 on 13.09.66, 13.341 on 13.09.67, 13.341 on 13.09.68, 13.341 on 13.09.69, 13.341 on 13.09.70, 13.341 on 13.09.71, 13.341 on 13.09.72, 13.341 on 13.09.73, 13.341 on 13.09.74, 13.341 on 13.09.75, 13.341 on 13.09.76, 13.341 on 13.09.77, 13.341 on 13.09.78, 13.341 on 13.09.79, 13.341 on 13.09.80, 13.341 on 13.09.81, 13.341 on 13.09.82, 13.341 on 13.09.83, 13.341 on 13.09.84, 13.341 on 13.09.85, 13.341 on 13.09.86, 13.341 on 13.09.87, 13.341 on 13.09.88, 13.341 on 13.09.89, 13.341 on 13.09.90, 13.341 on 13.09.91, 13.341 on 13.09.92, 13.341 on 13.09.93, 13.341 on 13.09.94, 13.341 on 13.09.95, 13.341 on 13.09.96, 13.341 on 13.09.97, 13.341 on 13.09.98, 13.341 on 13.09.99, 13.341 on 13.09.00, 13.341 on 13.09.01, 13.341 on 13.09.02, 13.341 on 13.09.03, 13.341 on 13.09.04, 13.341 on 13.09.05, 13.341 on 13.09.06, 13.341 on 13.09.07, 13.341 on 13.09.08, 13.341 on 13.09.09, 13.341 on 13.09.10, 13.341 on 13.09.11, 13.341 on 13.09.12, 13.341 on 13.09.13, 13.341 on 13.09.14, 13.341 on 13.09.15, 13.341 on 13.09.16, 13.341 on 13.09.17, 13.341 on 13.09.18, 13.341 on 13.09.19, 13.341 on 13.09.20, 13.341 on 13.09.21, 13.341 on 13.09.22, 13.341 on 13.09.23, 13.341 on 13.09.24, 13.341 on 13.09.25, 13.341 on 13.09.26, 13.341 on 13.09.27, 13.341 on 13.09.28, 13.341 on 13.09.29, 13.341 on 13.09.30, 13.341 on 13.09.31, 13.341 on 13.09.32, 13.341 on 13.09.33, 13.341 on 13.09.34, 13.341 on 13.09.35, 13.341 on 13.09.36, 13.341 on 13.09.37, 13.341 on 13.09.38, 13.341 on 13.09.39, 13.341 on 13.09.40, 13.341 on 13.09.41, 13.341 on 13.09.42, 13.341 on 13.09.43, 13.341 on 13.09.44, 13.341 on 13.09.45, 13.341 on 13.09.46, 13.341 on 13.09.47, 13.341 on 13.09.48, 13.341 on 13.09.49, 13.341 on 13.09.50, 13.341 on 13.09.51, 13.341 on 13.09.52, 13.341 on 13.09.53, 13.3

## Croda slips £1m below forecast

LOWER THAN forecast profits before tax of £10.04m have been produced by Croda International, a chemical products group, for 1982. Earlier last year, the directors predicted that profits would be about £11m. The final dividend, however, is raised in line with indications at the time of the bid.

The pre-tax profit compares with £10.12m last time, and shows an advance of 49 per cent. Sir Frederick Wood, chairman, said that the result is "not satisfactory" in the light of disappointing sales volumes and pressure on margins in some areas.

The net final dividend is raised from 2.25p to 4p, which gives a higher total of 7p compared with 3.75p. Net earnings per share are given as rising from 5.30p to 7.10p fully diluted — a current cost basis being amount to 3.1p (basic 3.7p). Taxation at £6.1m (£5.1m) was some 50.6m over the forecast of £5.6m. Sir Frederick said that the higher overseas tax rates and lower UK stock relief and capital allowances, as a result, profit after taxation turned out at £8.4m (£8.2m) against £10m forecast. Extraordinary credits amounted to £1.2m (£1.1m) resulting from closure costs in Organic Chemicals, agricultural division, and the currency problem in Mexico.

During the year under review one main subsidiary, Croda Organic Chemicals, which includes most of the group's petrochemical activities, fell short of its forecast by more than £1m which was hardly surprising, says Sir Frederick, when the experience of other petrochemical producers in the UK and overseas in failing to meet expectations early in 1982 is taken into account.

Cash flow was positive for the third year in succession and net debt fell by £2m to £23m. Further progress was made in the group's recovery, according to Sir Frederick, despite the being a difficult year for the world chemical industry, and profits benefited from cost savings and loss elimination. Some operations, especially consumer products, Standard Oil and Mearl, Ratelife, and U.S. specialty chemicals turned in "excellent results" while others again "struggled to stay in the black".

Although the world recession in chemicals continues, prospects for 1983 appear to be improving. Sterling is becoming more competitive.

FOR THE six months ended December 31 1982, W Ribbons Holdings, manufacturer of nylon and polyester webbings, incurred a pre-tax loss of £71,000, compared with a profit of £19,000 for the same period the previous year.

The deficit was struck after taking account of severance pay amounting to £24,000 resulting from rationalisation measures in the UK weaving and dyeing companies.

Consideration of an ordinary dividend is being deferred until the full year's results are available, but the directors are confident that the full year's results will be satisfactory.

Turnover for the interim period advanced from £5,87m to £7.0m, and at the operating level there was a surplus of £241,000, against £308,000. Interest charges took £312,000 (£289,000).

Although the company experienced a quiet January in the current year the two main UK companies noted a considerable upsurge in demand. It now appears that the improved demand will carry through to at least June, providing an expectation of a return to profitability. In February 1983 the company agreed a purchase option in respect of the industrial premises owned by the German subsidiary now named Lohit Verpackungs. The purchase price is £1.5m, and the company has committed to purchase for DM 5.8m (£1.59m) which reflects the terms of the purchase option agreement and an initial payment of DM 1.5m (£395,000) has been received from the purchaser.

During the period of the purchase option the buyers and Lohit Verpackungs have been joint occupiers of the premises with the purchaser as tenant. The situation after the sale of the premises will be reversed.

FOR 1982 profits of Sunbeam Wolsey group, the tyre, battery, and hardware manufacturer, have increased by £220,000—32.5 per cent—to £1,595,000. The dividend is again 3p.

Turnover was £245,000 lower at £23.29m.

Tax requires £1,000 (£85,000), and earnings are given as 10p (8.4p) or 9p (3.8p) before the employment subsidy.

There are extraordinary credits of £1.23m (credits £27,000) being £820,000 closure costs and £290,000 goodwill on consolidation written off. The latter primarily represents the difference between the cost of the acquisition of Tullamore Yarns and Smith Haywood (Ireland) and the net tangible assets of those companies when they were bought in 1965.

## F. Sumner £0.23m in red—omits dividend

MUCH LOWER turnover and a further fall into the red at the pre-tax level is reported by Francis Sumner (Holdings), which continued to suffer from poor trading conditions that prevailed in the textile and clothing markets throughout 1982.

Turnover for the 12 months ended December 31 last, dropped from £11.58m to £7.5m and this industrial holding concern suffered taxable losses of £228,000, compared with previous profits of £34,000—at halfway losses amounted to £92,000 (£74,000).

And, against a 0.2p payment last year the dividend is omitted.

Although no improvement in results has been seen in the first few months of 1983, directors are hopeful that further retrenchment, recently carried out, will help to restore the group to profitability in the second half of the year.

After a tax credit of £30,000 (£21,000 charge) and an extraordinary credit of £228,000 (£150,000) there was an attributable loss of £424,000, compared with a £138,000 loss last time. Loss per 10p share is given as 0.74p (0.08p earnings).

The extraordinary items arose at Brough, Nicholson and Hall relating to costs associated with the closure of the Chingde factory and to the loss of £58,500 on the sale of its subsidiary, A. W. Hewetson.

## Dreamland moves back in profit

A RETURN to profit has been achieved by the Dreamland Electrical Appliances group in 1982.

And reflecting their confidence the directors are paying a final dividend of 0.35p from reserves, which doubles the total to 0.7p.

The profit came out at £26,000 (after a loss of £704,000 at half-way), compared to a loss of £252,000 for the previous year. And Mr Freddie Williams, the chairman, expresses his confidence that the current term, which will run for 16 months to March 31 1984, will show a return to satisfactory profits.

Mr Williams says the trade was again reluctant to carry other than minimum stocks and the public has tended to postpone replacement purchases.

He believes, however, that sales have bottomed out to a level which can be maintained for 1983.

Turnover in 1982 rose from £3.8m to £4.48m, with the home content rising by over 5m but the export side showing a 20.5m drop to £1.6m.

Bank overdraft was down from £2.3m to £0.6m by the end of the year, and stocks had been reduced from £4m to £2.6m.

A new design of electronic heating pad has been introduced and a "bright future" is seen for it. A lot of marketing effort is going into promoting it as an "all the year round" selling item to ease the aches and pains of sportsmen and gardeners, as well as the aged.

After tax £80,000 (£42,000)

the group has finished with a loss of £24,000 (£284,000) equal to 0.111p (1.37p) per share.

comment

Dreamland claims that the worst is over and, as a mark of confidence, is dipping into its reserves to the tune of £75,000 to restore a final dividend. The key question is whether the second half swing into marginal profit reflects a routine seasonal upturn or an underlying improvement in profitability. In that period, the company computerised its production lines and modified its product range, aiming for a cheaper end of the market.

It has shed £300,000 worth of overheads in the current year and is pinning its hopes on a new design of medical heat pad. Despite the advantages which might have been gained from the weakness of sterling, the continental operations shrank from £2.6 per cent to 18.9 per cent of sales as demand slumped and retailers destocked. The French subsidiary was closed after losing £100,000 for the third year running — mainly due to consumers' resistance to Dreamland's products. In this light, the company's decision to expand ambitiously into other European markets has obvious risks.

Dreamland argues that it is simply a question of entering for lower retail stock levels. The market took an equally sanguine view, marking the shares up 6p to 18p, where they yield 5.6 per cent.

## Burgess £66,000 loss at midterm

NON-RECURRING COSTS of £144,000 have left acoustical and electrical engineering concern Burgess Products (Holdings) £66,000 in the red for the 26 weeks ended January 29 1983, compared with £283,000 profits previously.

Turnover improved marginally, from £10.61m to £11.02m, but trading results and profit margins continued to be affected by the recession.

The interim dividend, however, is maintained at 0.5p net per 25p share—last year's final payment was 3p and pre-tax profits amounted to £201,000.

Senior management changes have taken place and cost reduction measures, including further redundancies, were introduced which are included in the non-recurring debit for the period.

Directors anticipate that these measures will contribute to some improvement during the second half of the year although a longer time scale is required fully to assess these changes.

Trading profits were down from £495,000 to £289,000 and interest charges took £181,000, against £205,000. There was a tax credit of £47,000 (£89,000 charge) and after a minority credit of £1,000 (£3,000) the attributable figure was a £18,000 loss (£216,000 profit). Net loss per share is given as 0.4p, compared with earnings of 4.2p.

Preference and ordinary dividends absorb £27,000 (same)

## Cookson Group falls to £6.4m

SMELTER AND non-ferrous metal fabricator Cookson Group fell from taxable profits of £11.3m to £6.4m in 1982, on higher sales of £476m compared with £429.8m.

Trading profits fell from £16.6m to £14.3m, of which £6.8m (£8.9m) related to the UK and £7.7m (same) to overseas. Pre-tax profits were struck after additional depreciation—based on current replacement values—of £5.1m (£4.8m), and interest payable of £18.8m (£18.2m), and included a contribution from associates, before interest, of £16m (£15.7m).

The year's dividend is being maintained at 9.5p net per 50p share with an unchanged final of 3.96p. Losses per share are given as 5.1p (3.5p earnings) after additional depreciation.

There was tax of £8.1m (£9.2m), extraordinary credits of £1.3m (£1m) and after dividends of £1.1m (same), the retained deficit emerged at £4.8m (£1.5m).

comment

The increase in Cookson's interest bill wiped out the benefit of higher profits from the numerous associated companies and the group ended last year with pre-tax profits at the low end of the market's expectations.

The major markets in which the group operates have remained weak, while borrowings—about half of which are in the U.S.—have been steadily building. The strength of the dollar therefore impacted significantly on the financial position, adding 40 per cent of last year's £20m increase in borrowings. Capital spending made up the balance, taking year-end gearing to 45 per cent.

Metals and chemicals kicked in a lower contribution than last year and profits from Dulux Australia fell by two-thirds. The benefits of major surgery, particularly at Associated Lead, should begin to be felt in the current year. Some encouraging signs of a stirring in the construction and automotive sectors both in the UK and U.S., have been spotted. Tioxide's main plant, which was operating a less than half its capacity some months ago, has stepped up production considerably. An improvement at Cookson will depend on a broadly-based recovery in its principal market and the likely movements of U.S. interest rates. The share gained 4p yesterday to 158p, to a 9.1 per cent yield.

# "...the opportunity and ability to secure improved profitability"

Extracts from the Foreword to the 1982 Annual Report and Accounts by Sir Trevor Holdsworth, Chairman.

The positive and progressive improvement that we have achieved since 1980 was abruptly halted in mid-year by a further contraction in the United Kingdom and the United States.

As a result, profit before tax in the second half of the year was only £10.3 million compared with £30.5 million in the first half, making a total for the year of £40.8 million compared with £34.6 million achieved in 1981.

In reporting the results for the first half of 1982, we signalled the down-turn for the second half of the year which in the event was more severe than could be foreseen in September 1982. We also said that only after governments of the advanced industrial countries re-established sound national economies was there likely to be an increase in confidence leading to growth of consumer demand and investment.

Progress towards re-establishing sound national economies has been made in the United Kingdom, the United States of America and some European countries. Key factors of inflation and interest rates are significantly lower and in the United Kingdom other aspects of the economy are favourable—for example, the control of money supply and the public sector borrowing requirement, the balance of payments and sterling exchange rates.

There has been real growth in consumer spending on a wide range of manufactured goods and it is pleasing to note

that British-made products have benefited from this. We have also seen an increase in car purchasing sustained at a significantly higher level in recent months.

In the United States there are also welcome signs of improvement as also in certain other major countries in Europe and the reducing world oil price is another major favourable feature for the majority of nations.

There is therefore some evidence to support the view that the bottom of the world recession has been reached and that a general economic improvement may have started.

At this early stage, it is not possible to predict how significant a recovery there might be nor its impact on specific industrial sectors and countries. Steel, mechanical engineering, the construction industries, all require growth in capital investment spending to improve demand on them. This will take time to come through. Manufacturing capacities are significantly under-utilised and this slack must be taken up and improved profitability sustained before further investment will be made. After such a recession, the re-building process may be slow.

For GKN, it is too soon to be able to report positive beneficial effects. Nevertheless, we know that the considerable changes made within our on-going businesses and the costly restructuring which has relieved the Group of many severe problem areas give us the opportunity and ability to secure improved profitability quickly when market conditions improve.

### Our results in brief

	1982 £M	1981 £M
Turnover	1891.9	1855.3
Surplus on trading	99.4	82.5
Profit before tax	40.8	34.8
Earnings of the year	0.8	0.6
Dividends	13.2	13.2
Equity interest	590.6	649.8
Assets employed	1104.6	1105.2
Profit before interest payable and taxation to assets employed	8.8%	8.1%
Earnings per share	0.5p	0.4p
Dividend per share	8.0p	8.0p

### Our results by principal classes of business

	Turnover	Surplus on Trading
	1982 1981	1982 1981
	£M £M	£M £M
Automotive components	755 682	59 45
Industrial supplies and services	503 548	20 28
Wholesale and industrial distribution	467 389	11 8
Special steels and forgings	167 195	— 10
General steels	— 41	— (6)
Group total	1892 1855	90 83

## GUEST KEEN AND NETTLEFOLDS PLC

If you would like a copy of the 1982 Annual Report and Accounts please write to: Guest Keen and Nettlefolds plc, GPR Dept., 7 Cleveland Row, London SW1A 1DB. Tel: 01-930 2424. Telex: 24911.



## AECI LIMITED

(Incorporated in the Republic of South Africa)

### NOTICE TO PREFERENCE SHAREHOLDERS DIVIDEND NO. 90

Notice is hereby given that on 10 March 1983 the Directors of AECI Limited declared a dividend at the rate of 5.5 per cent per annum for the six months ending 15 June 1983 payable on that date to holders of preference shares registered in the books of the Company at the close of business on 29 April 1983.

The dividend is declared in United Kingdom currency and cheques in payment will be posted from the offices of the transfer secretaries in South Africa and the United Kingdom on 13 June 1983.

Dividends payable from Johannesburg will be paid in South African currency at the rate of exchange ruling on 23 May 1983.

Any change of address or dividend instruction involving a change in the office of payment, if intended to apply to this dividend, must be received on or before 29 April 1983 and members must, where necessary, have obtained the approval of the South African Exchange Control Authorities and, if applicable, the approval of any other Exchange Control Authorities having jurisdiction in respect of such changes. Changes of address or dividend instructions to apply to this dividend which do not involve a change in the office of payment must be received not later than 1 June 1983.

In terms of the Republic of South Africa Income Tax Act 1962 (as amended) dividends payable to persons not ordinarily resident nor carrying on business in the Republic or to companies not registered nor carrying on business in the Republic are subject to deduction in respect of non-resident shareholders tax at the rate of 13.7025 per cent.

With regard to cheques despatched from the United Kingdom office, United Kingdom income tax, at the basic rate less, where applicable, the appropriate double tax relief, will be deducted from the dividends paid except in cases where the holder's address and the address to which the dividend is sent are both outside the United Kingdom and in cases (if any) where the company has received from the Inspector of Foreign Dividends in Great Britain a certificate exempting the dividend from United Kingdom income tax.

The transfer books and registers of members in Johannesburg and the United Kingdom will be closed from 30 April 1983 to 13 May 1983 both days inclusive.

Carlton Centre Johannesburg 8 April 1983 By order of the Board Secretary

Transfer Secretaries:  
Consolidated Share Registrars Limited  
40 Commissioner Street, Johannesburg and  
Charter Consolidated PLC, Charter House  
Park Street, Ashford, Kent, England

### FINANCIAL TIMES INTERNATIONAL YEAR BOOKS INFORMATION TO BUSINESS

## Oil and Gas 1983

Comprehensively revised and updated—the 1983 edition of the international guide to the activity and financial performance of companies involved in all aspects of the oil and gas industries. 1000 company entries. Separate listings of international associations and oil brokers and traders. Expertly compiled and indexed.

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## Boddingtons

BODDINGTONS' BREWERIES PLC

### Profits rise by 37.8%

Summary of Results: Year to 31st December, 1982	1982 (£'000)	1981 (£'000)
Turnover	44,474	29,333
Profit before tax	8,609	6,248
Profit after tax	4,653	3,805
Dividend payment per share	4.0p	3.5p

Points made by the Chairman, Mr Ewart Boddington:-

- Profit before tax increased by 37.8% with the benefit of 45 weeks trading at Oldham Brewery.
- Boddington and Oldham together achieved an increase in volume beer sales.
- Capital expenditure, at £3.64 million, was substantial. This was funded from the company's cash resources.
- New investment has been made in Oldham Brewery in order to keg Heineken Lager.
- Good progress was again achieved in the Free Trade.
- Sales of our packaged beers continue to make progress, representing an important contribution to profits.
- I look to 1983 as another satisfying year for the company.

Annual General Meeting, Midland Hotel, Manchester 11.45 am Friday, 6th May 1983.

Copies of the Annual Report may be obtained from:  
The Company Secretary, P.O. Box 331, Strangeways Brewery,  
MANCHESTER M60 3EL

**Boddingtons**  
Strangeways Brewery Manchester



## BTR raid on Tilling peters out on third day

BTR is understood to have picked up only a further 375,000 shares in Thomas Tilling as its market raid dragged through its third day.

With the addition of the 300,000 shares reported to have been acquired by BTR on Wednesday, this suggests that the industrial rubber end polymer products group has made little impression on the target equity since it purchased a 6 per cent stake in Tilling on Tuesday morning.

BTR's aim is a 14.99 per cent stake in Tilling, the equivalent of 43.5m shares.

### KENNINGS/WESTERN MOTOR REVEALS DEAL

Western Motor Holdings and Kennings Motor Group have announced revised terms, whereby Kennings will acquire 51 per cent of Western Motor subsidiary Distributor Deliveries. Western Motor will sell 65,500 ordinary shares of Distributor Deliveries for £70,403. The increase to Kennings' holding from 15 per cent to 51 per cent remains the same as announced on March 18 1983, and is expected to be effective from June 1. The total sum to be provided by Kennings by way of additional shares and loans of £1m is unchanged.

### SKETCHLEY

Sketchley's subsidiary Rentex Services Corporation of the U.S. has entered into an agreement to acquire certain operating assets and the rental businesses of Stork Diaper Service Company and Industrial Uniform Rental Company, both of Philadelphia, for \$2.58m (£1.73m). Both businesses are involved in laundry and rental services for the health care sector and rental of garments for industry.

### BRABY LESLIE

Braby Leslie subsidiary S. Briggs and Co. has acquired for cash the brewery plant businesses of Henry Balfour and Co. in the UK and of the Pfander Co. in the U.S., comprising certain assets including stock, plant, machinery, designs, patents and trademarks worldwide.

### ASSOCIATE DEAL

S. G. Warburg and Co., as an associate of Steeltek, has sold 200,000 Hepworth Ceramic Holdings shares at 141p on behalf of discretionary investment clients.

### FRUTEC INVESTMENT

Prutec, a subsidiary of the Prudential Assurance Company, has invested £2.5m in Panorama Office Systems, Panorama, now based in Milton Keynes, as a replacement for the standard electric typewriter on a secretary's desk, as an alternative to an electronic memory typewriter or word processor.

### JOHN MOWLEM

Shareholders of John Mowlem & Company have approved resolutions for the acquisition of Buehler and to increase the authorised share capital of the group from £8.25 to £7.53 by the creation of 5.12m additional ordinary shares of 25p each. Mowlem has provisionally allotted 5,649,388 new ordinary shares at 170p each on the basis of two for every seven held. Provisional allotment letters have been despatched.

## BIDS AND DEALS

BY DAVID DODWELL

Saxon Oil yesterday withdrew its backing for a planned merger with Clyde Petroleum. In a letter to shareholders, it said the circumstances now make the terms of the Clyde offer too low.

The major change is that "there is now a very real prospect of Saxon participating in a commercial oil discovery. In addition, the prospect of more stable oil prices, coupled with tax changes in last month's budget, greatly improve Saxon's prospects, the company said."

Saxon Oil and Clyde Petroleum announced agreement on a merger which valued Saxon at £11.8m almost a month ago. At that time Saxon said that its "could be better developed by

the more substantial group resulting from the merger."

Since then, with terms which valued Saxon shares at 60p and Clyde shares at 50p, the two companies' share prices have rocketed. At the beginning of this week, Saxon shares had reached 120p, with Clyde at 50p. After Saxon's announcement, Clyde slipped 2p to 48p.

The oil discovery discussed in Block 16/8b, in which Saxon has a 50 per cent stake. While the position to make any statement, the Saxon board told shareholders: "Based on all the information and advice received, there are reasonable grounds for anticipating that a commercial

oil accumulation exists."

This view was endorsed by petroleum advisers Gaffney Cline, after evaluation of preliminary data obtained.

Saxon said it had approached Clyde pressing for improved terms, but that Clyde had declined to offer any.

A spokesman for Clyde said last night: "All of these factors were taken into account when our offer was first made. It was based on a fair balance of the risks involved. There are still risks, and a large amount of money has to be spent before these preliminary findings are confirmed."

The first closing date for the Clyde offer is next Tuesday.

Clyde said that between now and then, "we are happy to leave it to the market to make a decision."

Saxon warned shareholders that "investment in Saxon as an independent company would be more risky than an investment in Clyde following the merger." It also noted that additional finance will be needed to prove the field. This will be done either by rejecting Saxon's interest in the block, or by seeking fresh funds from shareholders.

No cash call is imminent, however. Under the original terms of Saxon's flotation, half of the payment for shares was deferred until March this year. This second payment has raised £7.5m.

## Dowable consortium extends Cope offer

By David Dodwell

THE DOWABLE consortium yesterday extended for two weeks its offer for Cope Allman, the leisure, packaging and engineering group, following disclosure that it had managed to acquire just 21.5 per cent of the company's shares by the first closing date on Wednesday.

Consortium members, nevertheless, insisted that they saw no reason to increase the bid which, at 60p a share, values Cope Allman at £23.75m.

One spokesman noted: "It had become clear that the major institutional holders in Cope were not going to accept our offer at the first closing date. They knew they had 50p on the table, so they obviously felt they had nothing to lose by waiting."

Dowable, which comprises British Car Auctions and Attwoods, headed by Mr David Wickins, Lin Pac headed by Mr Evan Corish, Hawley Glass headed by Mr Michael Askew, and two Robert Fleming investment trusts, was formed in July last year specifically to mount a bid for Cope.

The bid has been secretly resisted by the Cope board, which points to improving prospects and complains that the bid is opportunistic.

The offer will remain open until Wednesday April 20. Cope shares closed yesterday 1p up at 60p.

F. J. C. LILLY

F. J. C. Lilly has purchased 97.6 per cent of Morriston Quarries of Dumfries, Scotland. Lilly will compulsorily purchase the remaining 2.4 per cent of the shares.

The consideration paid totals £361,000 comprising £168,106 cash and an issue of 296,947 ordinary shares of 25p fully paid. The net assets of Morriston Quarries at January 31, 1983 were £377,000 and the pre-tax trading profits for the eight months to January 31, 1983 were £37,000.

## BANK RETURN

Wednesday April 6 1983 Increase (+) or Decrease (-) for week

### BANKING DEPARTMENT

Liabilities	£	£
Public Deposits	14,565,000	4,002,872
Bankers' Deposits	47,156,189	6,782,632
Reserve and other accounts	705,442,681	30,686,640
	2,225,332,861	
	2,966,197,145	+ 22,406,360
Assets	£	£
Government Securities	610,671,932	184,867,274
Advances and other accounts	1,400,563,689	70,523,689
Premises, Equipment & other	975,255,292	21,069,494
Notes	13,442,889	8,821,445
Gold	120,877	30,410
	2,966,197,145	+ 22,406,360

### ISSUE DEPARTMENT

Liabilities	£	£
Notes issued	11,500,000,000	75,000,000
In circulation	11,487,587,161	66,188,862
In Banking Department	16,642,669	6,653,445
Assets	£	£
Government Debt	11,015,100	637,860,653
Other Government Securities	4,265,000	565,960,955
Other Securities	693,468,404	
	11,800,000,000	+ 75,000,000

## A & G Security Electronics plc

Manufacturers to Britain's Security Industry

- Turnover of £933,000, up 45% on six months.
- Profit before tax of £346,000, up 45% on six months.
- Interim dividend up 10%.
- Financial position remains strong and acquisitions continue to be sought.
- Production facilities now rationalised to fully exploit the potential of the new factory capacity.

Year	1982	1981	1980
£'000's	£'000's	£'000's	£'000's
1.529 Turnover	933	642	
509 Trading profit	312	219	
57 Interest	34	20	
566 Profit before tax	346	239	
305 Taxation - estimated	178	120	
261 Profit attributable to shareholders	168	119	
5.27p Earnings per share of 5p	3.35p	2.45p	
1.75p Dividend per share of 5p	0.825p	0.750p	

The interim dividend of 0.825p net of tax will be paid on 12 May 1983 to shareholders on the register at close of business on 11 April 1983.

I have pleasure in presenting our interim figures, from which you will see that your company's sales and profits have increased by 45% over the previous corresponding period.

Additional automated machinery and computerised electronic test rigs are currently being installed to accommodate the increasing number of products that we are now processing through the factory. Further new products are being introduced, a number of which take your company into the electronic detector market, which is another growth area.

Because of your company's strength in the market place and the increasing crime figures, I look forward to another successful year.

WINGFIELD STREET  
OLDHAM  
GREATER MANCHESTER OL1 1HW

Gerard McNamara  
Chairman

## PETROLEOS MEXICANOS

U.S.\$125,000,000  
Floating Rate Notes 1991  
For six months

In accordance with the provisions of the notes, notice is hereby given that the rate of interest has been fixed at 10 per cent per annum.

Interest payable October 11th 1983 against coupon No. 5 will be U.S.\$25.23 per U.S.\$1,000 note by Chemical Bank (Agent Bank).

### PLANS OF W. Canning

chemicals, metals and electronics group, to sell its Australian subsidiary to a New Zealand company, took a severe knock yesterday with news that the Australian Foreign Investment Review Board has imposed a 90-day prohibition on the deal.

Canning agreed in December to sell its 100 per cent-owned subsidiary, Lawrence Smith and Canning Pty, to Healing Industries of New Zealand. The agreed price was A\$1.24m (£720,000).

Mr Ben Tromans, chairman of W. Canning, said they had no objection to any prohibition. He said that Healing

planned to seek clarification from the Review Board. Canning did not plan to take independent advice at this stage.

Lawrence Smith and Canning, based in Sydney and employing 65 people, makes chemicals used in the treatment of metal surfaces.

The Review Board said that the planned deal comes within the scope of the 1975 Foreign Takeovers Act, since it would result in a change in control of an Australian company, with the control remaining foreign.

The Act puts an open-ended commitment on foreign-owned companies in Australia to reduce

## Io Technology dealings suspended

Share dealings in Io Technology were suspended yesterday, pending a statement by the company.

Io Technology, which makes a wide range of products, was floated on the LSE in March last year.

However, it has faced problems since its launch, and it is possible that yesterday's suspension suggests a call by shareholders for fresh funds. Interim accounts for trading to last September are almost three months overdue.

Io Technology's circular noted that Io Technology had faced difficulties in recruiting dealers—in large part because of heavy recruitment in 1982 by international names like ATT and IBM.

The circular predicted a loss for the year to March 1983 of at least £173,000, but suggested that the company might by now be breaking even.

The circular also pointed out that cash "could be a constraining factor," since future success would depend on heavy sales promotion.

Mr David Atkins, chairman of Io Technology, was unavailable for comment throughout yesterday, and it is not certain when the company's statement will be forthcoming. Io Technology's shares were suspended at 230p, down 1p from the day's opening price.

### CYCLE AND CARRIAGE

Cycle and Carriage has sold £3.6m worth of convertible loan stock in Newman Industries for £7.2m (£5.1m).

C and C said in February that it intended to dispose of the stock, subject to court approval of Newman's refinancing plan. That plan has since been approved by C and C's bondholders.

1.5 per cent of Newman's equity common stock.

## Trumanns raises Austin offer

Trumanns Steel Group yesterday increased its contested bid for James Austin Steel Holdings by 10p to 57p, valuing the company at £3.2m. But James Austin described the new offer as "not obviously attractive."

The James Austin board will meet today to consider the bid, but will not respond until after Trumanns delivers the offer document next week.

The Yorkshire-based steel stockholders, James Austin, rejected a 7p offer last month as "totally inadequate." The privately owned Trumanns also rejected a 7p offer in the same period. Sumrie shares rose 5p to close at 90p on the news.

Mr A. J. Fletcher, chairman of

Trumanns, believes in commercial advantages for a larger group and wants to form the company into the Trans-Pennine Independent Stockhold.

The acquisition order had been issued so that the government could be satisfied that Australian interests—or foreign interests with substantial Australian links—were not being sacrificed to a local opportunity to bid for the Canning subsidiary.

Mr Trumanns said the original approach to sell the Australian subsidiary came from Healing, which acts as agent for W. Canning in New Zealand. If the Review Board imposed a veto on the deal, and no adequately priced Australian bids emerged,

cent, but still a discount on the 110p net asset value.

At the interim stage the James Austin chairman warned that "steel stockholding in all sections will see little improvement until there is a recovery in world economy, and a pick up in engineering demand," but added that the company was "able to ride out the storm and be in a strong position to take advantage of an upturn when it comes."

James Austin shares closed at 87p yesterday, up 5p.

## Tillman Group acquires control of Sumrie

Mr Harold Tillman, owner of the Tillman-based unit manufacturer, yesterday succeeded in his takeover bid for Sumrie Clothes.

Shareholders representing 24 per cent of Sumrie shares have accepted the cash offer of 65p per share by Afcor Investments on behalf of Tillman. The takeover of Sumrie shares rose 5p to close at 90p on the news.

Mr Tillman needed just 8.4 per cent of the shares to take over Sumrie, since he and parties acting in concert with him, owned 41.6 per cent of Sumrie before the takeover. A cash offer was made in February.

Mr Tillman, who has had a long association with the fashion business, will now join the board of Sumrie, as will Mr Harold Sorsky who was on the board of Lincoff Kilgour, a company involved in all aspects of the textile trade, which Mr Tillman took to the market.

Mr Ronald Sumrie is expected to stay on as chairman.

The Tillman offer values Sumrie at £1.62m. The company, which employs about 280 people in three factories in Yorkshire, reported pre-tax losses of £34,000 for the half-year to the beginning of October, compared to a £137,000 loss in the same period previously on a marginally increased turnover.

The reduction in the trading loss was due to reduced manufacturing costs, however, and the chairman warned that the second half was proving even more difficult.

### DRG SELLS INTEREST

DRG has sold its Southern African packaging and stationery interests, including its 70 per cent interest in DRG (S.A.), to the Kohler group for about £20m cash.

## RESULTS AND ACCOUNTS IN BRIEF

THOMAS WALKER (metal smelter)—Interim dividend 1.25p (same) for 1982. Turnover £202.42 (£170.57). Attributable profit £1,813 (£1,014.61). After tax profit £1,014.61 (£507.31). Earnings per share 0.8635p (£0.1736p).

METAL INDUSTRIES (electrical and metal products)—Interim dividend 1.25p (same) for 1982. Turnover £28.3m (£28.3m) for six months to Sept. 30, 1982. Pre-tax profit £1.72m (£1,010,000). Tax £150,000 (£160,000). Interest £20,000 (£21,000). Group's holding company is Thom EMI.

RELIABLE PROPERTIES (property dealer)—For first half to October 31, 1982: interim dividend 1.25p (same) for 1982. Turnover £278.57 (£240,000). Property income receivable £398,082 (£242,785). After tax profit £1,014.61 (£507.31). Earnings per share 0.8635p (£0.1736p).

GREENLAND HOLDINGS (engineering)—For 1982: First dividend 1.25p (same) for 1982. Turnover £278.57 (£240,000). Pre-tax profit £1.72m (£1,010,000). Tax £150,000 (£160,000). Interest £20,000 (£21,000). Group's holding company is Thom EMI.

BRITISH VENDING INDUSTRIES (powdered vending ingredients)—For 1982: First dividend 1.25p (same) for 1982. Turnover £278.57 (£240,000). Pre-tax profit £1.72m (£1,010,000). Tax £150,000 (£160,000). Interest £20,000 (£21,000). Group's holding company is Thom EMI.

PITNEY BOWES (mailing and business equipment)—For 1982: First dividend 1.25p (same) for 1982. Turnover £278.57 (£240,000). Pre-tax profit £1.72m (£1,010,000). Tax £150,000 (£160,000). Interest £20,000 (£21,000). Group's holding company is Thom EMI.

FINLAY PACKAGING (cable printer)—For 1982: First dividend 1.25p (same) for 1982. Turnover £278.57 (£240,000). Pre-tax profit £1.72m (£1,010,000). Tax £150,000 (£160,000). Interest £20,000 (£21,000). Group's holding company is Thom EMI.

WATKINS HOLDINGS (colour printer)—For 1982: First dividend 1.25p (same) for 1982. Turnover £278.57 (£240,000). Pre-tax profit £1.72m (£1,010,000). Tax £150,000 (£160,000). Interest £20,000 (£21,000). Group's holding company is Thom EMI.

WATKINS HOLDINGS (colour printer)—For 1982: First dividend 1.25p (same) for 1982. Turnover £278.57 (£240,000). Pre-tax profit £1.72m (£1,010,000). Tax £150,000 (£160,000). Interest £20,000 (£21,000). Group's holding company is Thom EMI.

WATKINS HOLDINGS (colour printer)—For 1982: First dividend 1.25p (same) for 1982.

# BAT INDUSTRIES

## Results for the year ended 31 December 1982

### Patrick Sheehy, Chairman, comments:

A "real advance on last year" was forecast at the interim stage, and I am glad to report that it duly came about. Turnover has passed the \$10 billion mark for the first time, and at \$11,507 million is up by 24 per cent; pre-tax profit is up by 25 per cent at \$856 million; profit attributable to B.A.T. Industries is up by 25 per cent at \$454 million. There has been a continuation of underlying growth. Naturally, with sterling declining from 1.91 dollars to 1.62 dollars to the pound between the year-ends, currency changes improved the figures. But even without that benefit, turnover would have increased by 13 per cent, trading profit by 9 per cent, pre-tax profit by 11 per cent, and attributable profit by 10 per cent. This is a satisfactory outcome for a year which has been so disappointing for many other major companies throughout the world. Once more the results show the strength of the Group's wide geographical coverage and industrial diversity. As can be seen from the industrial and geographical analyses, there have been relatively small changes in the proportions of turnover and trading profit by area or industry. The two significant improvements were the increased contribution from North America, where trading profit increased by \$101 million to provide nearly one half of the Group total; and Paper, where trading profit also rose in a year when

the industry was generally going through a particularly bad time.

Retailing turnover and trading profit were helped by the acquisition of Marshall Field in the US during the first half of the year. After providing for the cost of financing, Marshall Field contributed \$8 million to Group pre-tax profit. The figures for paper reflect principally the long and imaginative investment programmes in both Appleton and the Belgian carbonless businesses.

One of the most notable features of these results is the continuing performance of our first, and still our biggest industry, tobacco. The year saw tobacco volumes fall slightly as recession bit still harder across the world - and as governments tended to increase their "take" from what is, to them, a simple and convenient revenue source. Even so, most of the Group's tobacco subsidiaries, and those of our associates, maintained their market shares, improved margins, and increased productivity. The last is an important consideration as again it reflects maintaining a high level of investment in research and development, the application of new technology and the continuing attention to productivity of assets and people.

Tobacco trading profit contributed 73 per cent of the Group total with an increase of \$109 million. That was achieved in spite of a very large tax increase in Germany which had a dramatic effect on the pattern of the tobacco market, and unusual disturbance for the US industry when

the second half was overshadowed by intensive competitiveness, accompanied by a sequence of manufacturers' price rises, in anticipation of the doubling of the federal excise tax at the beginning of the current year. However there were good results from the companies in these countries, and as can be seen in the more detailed activity report there were also outstanding results from many others.

An example of the Group's confidence in its future is the level of capital spending. Expenditure on fixed assets increased from \$278 million in 1981 to \$341 million in 1982, and I am particularly happy to record that \$71 million of that was allocated to the United Kingdom.

The Board is recommending a final dividend for 1982 of 15.0p which together with the interim dividend of 12.5p gives a total of 27.5p, an increase of 19.6 per cent over the previous year. The Board is also proposing a 3 for 1 capitalisation issue in order to provide a better balance between the issued capital and the reserves of the company. There will be a consequent adjustment in the quoted price of the company's shares on the stock market which should make the shares more attractive for the smaller investor.



### INDUSTRIAL REVIEWS

#### GROUP PROFIT AND LOSS ACCOUNT - Year to 31 December

	1982 £ millions	1981 £ millions	% change
Turnover	11,507	9,265	+24
Trading profit	783	634	+24
Interest paid less received	29	37	-22
	754	597	+26
Share of associated companies' profit before tax	102	87	+17
Profit before taxation	856	684	+25
Taxation	346	281	+23
Profit after taxation	510	403	+27
Minority interest	56	40	+40
Attributable to B.A.T. Industries:			
Net profit before extraordinary items	454	363	+25
Retained for inflation	206	176	+17
Net profit after inflation retention	248	187	+33
Dividends	100	84	+19
Other retentions	148	103	+44
Earnings per ordinary share	124.9p	99.9p	+25

#### EXCHANGE RATE EFFECTS

The results of overseas subsidiaries have been translated into sterling for the purpose of this report at exchange rates ruling on 31 December in each year. Over the year to 31 December 1982 sterling weakened against most other currencies with a consequent favourable effect on the sterling figures reported. Had the same exchange rates ruled at the end as at the beginning of the year, it is estimated that the figures would have been as follows:

	Year to 31 December 1982 £ millions	% change
Turnover	10,430	+13%
Trading profit	690	+9%
Profit before taxation	780	+11%
Net profit attributable to B.A.T. Industries	400	+10%

These estimated figures do not include any devaluations of the Brazilian cruzeiro and the Argentine peso against the US dollar as such devaluations broadly represented the relative decline of the purchasing power of these currencies.

#### CURRENT COST PROFIT AND LOSS ACCOUNT - Year to 31 December

	1982 £ millions	1981 £ millions	% change
Turnover	11,507	9,265	
Trading profit per Group results	783	634	
Cost of sales adjustment	228	206	
Depreciation adjustment	93	83	
Reduction in service potential of fixed assets	1	7	
Monetary working capital adjustment	(98)	(60)	
Current cost operating profit	559	388	
Interest paid less received per profit and loss account	29	37	
Gearing adjustment (note)	(53)	(18)	
	583	416	
Share of associated companies' current cost profit before tax	80	59	
Current cost profit before taxation	663	475	
Taxation	346	281	
Current cost profit after taxation	317	194	
Attributable to minority shareholders in subsidiaries	39	25	
Current cost profit attributable to B.A.T. Industries before extraordinary items	278	169	
Dividends	100	84	
Retentions	178	85	
Current cost earnings per ordinary share	76.5p	46.5p	

An alternative adjustment referred to as "benefit arising on other net monetary liabilities" has been used by the Group for a number of years to calculate the requirement for inflation shown in the profit and loss account.

For 1982 this abates the inflation retention attributable to B.A.T. Industries shareholders by only £15 million as opposed to the gearing adjustment of £53 million. Although the inflationary benefit from Group borrowings is fully reflected, the comparatively low overall benefit arises from the greater impact in 1982 of the effect of holding increased net monetary assets in certain countries with high inflation.

The difference between this adjustment and the gearing adjustment which is £38 million, less a further £8 million in respect of associated companies, explains the difference between the current cost profit attributable to B.A.T. Industries of £278 million and the net profit after inflation of £248 million shown in the profit and loss account.

#### TOBACCO

	Year to 31 December 1982 £ millions	1981 £ millions	% change
Turnover	6,468	5,322	+22
Trading profit	572	463	+24
Total assets	2,596	2,114	+22

Turnover rose in sterling terms by 22 per cent and in local currency by 8 per cent. Trading profit was up by 24 per cent in sterling and 10 per cent in local currency. Group volume excluding associated companies was down by 4 per cent, or by 3 per cent including associated companies, but market shares were generally maintained. Brown & Williamson increased sales turnover in the US market and achieved a significant rise in trading profit, reflecting higher cigarette prices and improved productivity and efficiency. However, its overall domestic market share declined by 0.5 per cent. Substantial price increases in the latter part of the year, ahead of the higher federal excise tax imposed at the beginning of 1983, caused some decline in total industry volume.

Cigarette volume in the UK continued to be depressed to date, even though BAT (UK & Export) increased its market share, its sales decreased against 1981. Although turnover rose it was more than offset by higher expenses. Exports were only just below last year's very good level and profit increased slightly.

The impact on the year of a very large increase in tobacco tax was a 14 per cent decline in the total German cigarette market. BAT Cigaretten-Fabrik's established brands withstood the competition from imports better than the German industry as a whole and trading profit was down only marginally.

In Brazil, total market sales were depressed by consumer price increases but sales increased. The market share slightly, turnover was up some 35 per cent in sterling terms and trading profit by 10 per cent. Sales volume in the rest of the Latin America area was lower than last year, but turnover and trading profit showed a good improvement. In Venezuela, the company further improved market share, sales and profit.

In Asia, total profits improved and sales volume was maintained. Hong Kong had a difficult year but trading profit was up as margins improved. Singapore had excellent results, particularly in export markets. Total sales in Africa were down mainly because of another difficult year in Nigeria but this reduction was to some extent compensated by improved results elsewhere.

#### RETAILING

	Year to 31 December 1982 £ millions	1981 £ millions	% change
Turnover	2,997	2,180	+37
Trading profit	102	72	+42
Total assets	1,548	864	+79

Excluding the acquisition of Marshall Field and Company, BATUS Retail Division's turnover would have been down slightly and trading profit in dollar terms would have fallen by 38 per cent in what was a difficult year for the whole industry. However, with the addition of the seventy-nine stores of the Marshall Field Group there were increases of 38 per cent in turnover and 13 per cent in trading profit. Sales Fifth Avenue's trading profit declined but was a reasonable performance in the circumstances; it continued its expansion and development, opening two new stores. All four Gimbel's divisions traded profitably and Kohl Department Stores was expanded by the addition of five stores.

In the UK, International Stores returned to trading profit through rigorous cost control and improvements in productivity. It was decided to withdraw from the Malayan supermarket operation by disposing of the larger units while retaining those which could be merged profitably with the International supermarket business. Argus gained sales volume through existing showrooms and increased its national coverage, opening a further nine units which gave a total of 124 showrooms at the year-end, and showed a substantial gain in trading profit in spite of tight margins and strong high street competition.

#### PAPER

	Year to 31 December 1982 £ millions	1981 £ millions	% change
Turnover	974	831	+17
Trading profit	75	47	+60
Total assets	636	548	+16

Appleton Papers' trading profit improved significantly in both dollar and sterling terms, reflecting improved selling prices, lower material and pulp costs, and the benefits of completion of a large capital spending programme. Overall sales volume fell 8.8 per cent but its sales of carbonless copying paper on the US market rose by 4 per cent. The decline in volume can be attributed to the planned production cutback of general mill grades, in favour of increased production of higher-margin carbonless copying paper.

Wiggins Teape's total sales in the UK and Europe were more than 15 per cent up in sterling terms on last year. The UK domestic market was still under severe pressure and sales volumes were down. Although the dollar price of pulp was weaker, selling prices could not be raised enough to cover its increased cost in sterling. The carbonless copying paper market continued to show strong growth. Overcapacity led to continued fierce competition but Wiggins Teape's Belgian mills benefited from increased volumes, and with better operating efficiencies margins improved significantly. However, the operation in South Wales continued to make losses.

#### PACKAGING AND PRINTING

	Year to 31 December 1982 £ millions	1981 £ millions	% change
Turnover	537	492	+9
Trading profit	18	30	-10
Total assets	296	297	-

Market conditions in the UK and Europe remained generally weak with strong competition for packaging orders but there was a small gain in profit, arising from some volume growth and continuing productivity improvements. Recession in North America affected the Canadian and US operations, with volume and profits down from the high levels of 1981.

#### OTHER TRADING ACTIVITIES

Other trading activities as a whole show a decline in trading profit against last year which had included a special exchange gain; excluding this results overall were up.

Despite difficult conditions for cosmetics with recession in many major markets, there were increases in turnover and trading profit. In the UK, Yardley did especially well.

Results of the Home Improvements Group in Germany were mainly affected by a drop in new building construction and disappointing levels of activity in property refurbishment. Populair's profit was particularly affected by these trading conditions. Hippo's turnover and profit were up with the inclusion of a newly acquired bathroom fitting and fixtures manufacturer.

#### ASSOCIATED COMPANIES

The Group's share of the pre-tax profit of Imasco, its Canadian associate, was \$57 million, an increase of 44 per cent in sterling terms and 10 per cent in Canadian dollars. This excellent result was achieved in spite of the severe Canadian recession. There was little volume growth in the Canadian cigarette market in 1982, but market share was maintained at 49 per cent and trading profit from tobacco was almost 20 per cent up. The Hardee's restaurant business had an extremely successful year and profit was well up on last year.

B.A.T. Industries' share of the pre-tax profit of AMATIL, the associate in Australia, was £19 million, an increase of 28 per cent in sterling terms and 25 per cent in Australian dollars. Tobacco products division once again achieved higher profit, printing and packaging earned substantially higher profits, beverage and snack food divisions had a successful year and the meat division reduced its losses.

### ANNUAL REPORT AND ACCOUNTS

These figures for the year ended 31 December 1982 have been extracted from the full financial statements to be delivered to the Registrar of Companies, and carry an unqualified audit report.

The Report and Accounts will be available on 30 April. The Annual General Meeting will be held on 25 May, 1983.

#### DIVIDENDS

The directors will be recommending to the shareholders at the Annual General Meeting to be held on 25 May 1983 the payment on 1 July 1983 of a final dividend for the year of 15.0p per ordinary share of 25p.

Transfers received in order by the Registrar of the Company up to 3 June 1983 will be in time to rank for payment of the final dividend.

As explained in the 1981 Report and Accounts the dividend pattern has been simplified to one of a single interim and a final dividend with the declarations linked to announcements of Group results.

The following is a summary of the dividends declared for the years to 31 December 1982 and 1981.

	1982	1981
Interim paid 1.7.81	—	6.5p
Interim paid 4.1.82	—	8.0p
Interim paid 16.11.82	12.5p	—
Final proposed payable 1.7.83	15.0p	8.5p
	27.5p	23.0p

#### CAPITALISATION ISSUE

The current issued share capital of the company is £91 million, while the reserves and share premium account amount to £1,068 million. The Board will be proposing at the Annual General Meeting a capitalisation issue of three fully paid ordinary shares of 25p each for every ordinary share of 25p held on 3 June 1983, thus increasing the issued capital to £364 million and leaving a balance of £795 million in reserves.

#### INDUSTRIAL AND GEOGRAPHICAL ANALYSES

	Year to 31 December 1982 £ mn	%	1981 £ mn	%
<b>INDUSTRIAL</b>				
Turnover	11,507	100	9,265	100
Tobacco	6,468	56	5,322	57
Retailing	2,997	26	2,180	24
Paper	974	8	831	9
Packaging & printing	537	5	492	5
Other trading activities	531	5	440	5
Trading profit	783	100	634	100
Tobacco	572	73	463	73
Retailing	102	13	72	11
Paper	75	10	47	8
Packaging & printing	18	2	30	5
Other trading activities	16	2	32	5
	783	100	634	100

Group central costs are charged in other trading activities

	Year to 31 December 1982 £ mn	%	1981 £ mn	%
<b>GEOGRAPHICAL</b>				
Turnover	11,507	100	9,265	100
United Kingdom	2,189	19	2,034	22
Europe	2,368	21	1,979	21
North America	3,478	30	2,542	27
Latin America	2,302	20	1,731	19
Asia	721	6	566	6
Africa	370	3	355	4
Australasia	79	1	58	1
	11,507	100	9,265	100
Trading Profit	783	100	634	100
United Kingdom	35	4	47	7
Europe	91	12	77	12
North America	383	49	282	45
Latin America	170	22	131	21
Asia	70	9	59	9
Africa	30	4	35	6
Australasia	4	—	3	—
	783	100	634	100

Group and operating group central costs and research and development expenditure are charged in the segments where incurred. Royalty income less related expenditure is included in the area in which the licensor is located.

**AUTHORISED  
UNIT TRUSTS**[illegible][illegible]**FT UNIT TRUST INFORMATION SERVICE**[illegible][illegible][illegible]

## INSURANCES

[illegible]

## TRADED OPTIONS

## EUROPEAN OPTIONS EXCHANGE

Series	June		Sept.		Dec.		Stock
	Vol.	Last	Vol.	Last	Vol.	Last	
C	F.270	1	6.50	—	—	—	F.272.15
P	F.275	10	5	—	—	—	"
P	F.300	1	8	—	—	—	"
P	F.325	2	4	—	—	—	"
P	F.370	2	3.90	—	—	4	1.10
P	F.380	11	1	—	—	—	"
P	810	17	2.10	11	8.45	3	2.50
P	811	7	1.50	15	1.60	1	2.40
P	810	—	—	800	0.50 9	—	"
P	811	15	0.50	—	—	2	1.20
		May		Aug.		Nov.	
C	\$400	23	59	—	—	—	\$423.25
C	\$425	143	23	—	—	11	50
C	F.121	13	8	25	92.20	12	59
C	\$472	30	5	27	19	2	28
C	\$500	20	3.50	50	11	89	20
C	\$507	7	1.10	58	5	58	18
C	2375	2	—	—	—	—	"
C	\$400	11	2	17	14.50	15	12
C	\$425	11	15	11	25	—	"
C	\$450	—	—	—	—	9	55
C	\$475	2	50	—	—	—	"
NC 81 87.91							
C	F.150	20	2.90	—	—	—	F.153
P	F.121	260	0.50	—	—	40	1.80
P	F.120	110	0.80	—	—	—	"
P	F.135	160	2.80	—	—	—	"
NC 62 88.92							
C	F.112.50	100	3	—	—	—	F.115.50
C	F.117.50	100	0.10	—	—	—	"
NC 82 83.98							
C	F.108.50	100	7.10	—	—	—	F.109.50
NC 82 88.95							
P	F.100	30	0.60	3	1.20	—	F.100
P	F.100	—	—	3	1.70	50	2.40
P	F.102.50	50	3.10	—	—	—	"

71 <sub>2</sub> NL	83	87.90							
C		F.97.50	1	1	50	2.10	1	1	F.89.80

PC	PC	F.100		1.0		0.80		1.0		1.10		1.20		1.40		1.50		1.60																																									
		F.27.60	F.100	80	1.40	50	257	50	257	50	257	50	257	50	257	50	257	50	257																																								
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ABN	P	F.660																																																									
AKZO	P	F.860																																																									
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## LONDON TRADED OPTIONS

CALLS							PUTS		
Option		April	July	Oct.	April	July	Oct.		
BP (USP 55 1/2)	250	22	—	—	—	—	—		
" " "	925	72	—	—	1 1/2	—	—		
" " "	500	52	62	70	2	9	—		
" " "	250	34	39	44	2	12 1/2	—		
" " "	350	3	13	24	12	22	36		
CAF (USP 50 7/8)	350	—	150	—	1 1/2	—	—		
" " "	420	90	103	6	1 1/2	—	—		
" " "	500	50	75	4	1 1/2	18	—		
" " "	350	8	43	55	10	25	—		
" " "	550	5	18	22	47	55	62		
" " "	600	1	7	12	—	100	—		
OTD (USP 55)	70	23	25	20	1	1 1/2	3		
" " "	80	7	10	15	1	4	6		
" " "	90	7	10	15	1	4	6		
" " "	100	1 1/2	5	9	7	10 1/2	—		
CUA (USP 140 1/2)	120	21	26	90	1	1 1/2	—		
" " "	150	11	18	21	1 1/2	9 1/2	—		
" " "	240	5	11	15	6	10	19		
" " "	180	1	4 1/2	8	25	68	27		
GEC (USP 90 3/4)	190	30	34	42	1	8	9		
" " "	197	12	—	—	—	—	—		
" " "	200	—	20	28	1	10	14		
" " "	217	—	—	—	12	—	—		
" " "	220	—	11	18	22	—	28		
" " "	237	0 1/2	—	—	53	—	—		
" " "	240	—	—	—	38	—	—		
" " "	260	0 1/2	3	—	56	57	—		
GM (USP 55 1/2)	260	75	—	—	1	—	—		
" " "	280	55	68	—	1	—	—		
" " "	300	55	43	49	8	15	8		
" " "	320	10	25	31	15	17	—		
" " "	950	2	12	18	26	31	34		
" " "	250	1	3	10	—	56	51		
ICI (USP 59 1/2)	200	100	108	—	1	—	—		
" " "	250	70	78	—	1	—	—		
" " "	260	40	38	56	4	8	10		
" " "	350	18	50	40	4	16	18		
" " "	420	9	13	22	24	50	34		
L3 (USP 214)	950	23	21	57	1	2	—		
" " "	250	56	41	47	2	10	—		
" " "	300	17	25	55	2	15 1/2	—		
" " "	320	2	11	17	19	68	51		
W & B (USP 214)	150	55	—	—	—	—	—		
" " "	180	35	40	47	1	4	17		
" " "	200	18	17	14	1 1/2	—	—		
" " "	220	4	12	19	12	13	23		
" " "	240	1	5	—	28	30	—		
SHL (USP 480)	250	88	100	110	1	8	4		
" " "	420	28	74	32	1 1/2	4	9		
" " "	450	25	28	45	8	14	18		

Option		May	Aug.	Nov.	May	Aug.	Nov.
BBL (USP 44 1/2)	260	87	97	—	1	9	—
" " "	250	37	47	—	2	4	—
" " "	480	9	20	57	20	11	16
" " "	500	9	30	52	20	87	75
" " "	600	2	10	92	20	63	75
IMP (USP 116)	50	28	—	—	1	—	—
" " "	100	11	15	17	1 1/2	—	—
" " "	110	6	8	10	2	9	15
" " "	130	1 1/2	4	2	15	16	10
" " "	150	—	—	—	—	—	—
LMO (USP 258)	210	58	68	75	8	4	12
" " "	230	40	52	60	4	10	15
" " "	250	26	38	47	10	17	28
" " "	270	10	25	30	20	30	42
" " "	290	5	12	—	38	45	75
" " "	320	1	4	—	68	75	—
" " "	340	1	—	—	96	—	—
" " "	680	1	—	—	128	—	—
LNR (USP 62)	80	5	9 1/2	12	2	6	6
" " "	90	5	5	0	10	12	14
" " "	100	5 1/2	9 1/2	6 1/2	19	31	23
P & O (USP 143)	100	45	45	—	0 1/2	1	—
" " "	110	26	26	—	0 1/2	—	—
" " "	120	25	25	27	1	4	6
" " "	130	15	17	20	2	3	—
" " "	140	8	11	14	8	13	16
" " "	160	2	4	8	10	22	26
ROL (USP 454)	420	49	57	66	6	14	20
" " "	450	17	20	40	22	27	34
" " "	480	4	11	22	50	52	56
" " "	500	2	4	—	100	102	—
" " "	600	1	—	—	150	150	—
" " "	650	1	—	—	200	—	—
RTZ (USP 554)	280	147	122	—	—	—	—
" " "	300	117	89	—	—	—	—
" " "	450	77	84	—	5	11	—
" " "	500	40	54	47	12	20	20
" " "	590	15	27	40	50	40	47
VBF (USP 811)	50	—	—	—	1	—	—
" " "	70	—	—	—	2	—	—
" " "	90	21 1/2	25	29	3 1/2	5 1/2	7 1/2
" " "	100	18 1/2	17	21	5	9	11 1/2
" " "	110	14 1/2	11 1/2	15 1/2	8	12	18 1/2
" " "	120	2 1/2	9	12	13	12	13 1/2
" " "	130	8	5 1/2	8	21 1/2	—	20
" " "	240	0 1/2	—	4 1/2	—	—	—

Option		CALLS			PUTS		
Option		June	Sept.	Dec.	June	Sept.	Dec.
BHW (USP 238)	360	15	43	52	7	10	11
" " "	290	18	25	30	—	8	22
GKN (USP 177)	190	22	26	51	5	6	8
" " "	180	9	14	19	11	4	15

Apr. 7 Total Contracts 2,381 Calls 1,660 Puts 551

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In mid 1982, the Financial Times, The Economist, and Euromoney contacted Research Services Ltd. to conduct a survey amongst these senior international financial specialists in order to discover what they read.

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For more information about this research, or the position of the F.T. in the European market place, please contact your local Financial Times representative or the Market Research Department of the Financial Times.

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EUROPE'S BUSINESS NEWSPAPER

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<b>Hambley Fd. Mgrs. (C.) Ltd.</b> P O Box 26, Curragh Capital Reserve Fund £12.28 26.29 1 0.22 C. Fund 1312 21.4 1.25		<b>Quilter/Hornold Commodities</b> 31-45, Gresham Street, EC2V 7LH. 01-600 4177 Resc. Fd Int April 5 £1,557.71 \$300 1 1.92 (Note: exchange rate Nov 5)	
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SECTION III - INTERNATIONAL MARKETS  
**FINANCIAL TIMES**

Friday April 8 1983

## SECTION III CONTENTS

NEW YORK STOCK EXCHANGE 30-31  
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## WALL STREET

## Corporate clouds close in

THE COMING season of first-quarter corporate earnings reports began to trouble Wall Street investors yesterday as a consensus developed that, in a market beset by uncertainties about the direction of interest rates and the Federal Reserve's monetary policy, a profits upturn by the industrial majors was badly needed as an affirmation of faith in a U.S. economic recovery.

Analysts pointed to poor showings by some of the companies which have been reporting ahead of the field, particularly in the high technology sector.

The Dow Jones industrial average, after wavering within a few points of its overnight level throughout the day, finally settled 4.16 higher at 1,117.85, and advancing stocks managed a six to seven point lead over declines. But volume dwindled further to some 68m shares from Wednesday's 77.14m, and the underlying tone was described as weaker.

Creditmarkets also underwent a modest downward adjustment after the gains of recent days. Federal Funds, after beginning the settlement week somewhat easier at 8% per cent against a

Wednesday average of 8.10 per cent, again moved uncomfortably upward despite the Fed's intervention with the arrangement of \$1.5bn in customer repurchase agreements at the opening level.

But with Funds at 8% in early afternoon, the authorities bought \$320m of short-term bills for a customer account.

Dealers said seasonal factors continued to act as a drain on reserves, and more official involvement could be expected, possibly in the form of coupon or bill sales for the system account instead of merely an indirect operation for a customer.

But the market retained a firm undertone, and the 9% per cent notes of 1985 came up to par from 98 7/8 on Wednesday.

The benchmark long bond, the Treasury 10% per cent due 2012, moved beyond 98, while the three and six-month Treasury bills yielded within a few basis points of their overnight levels, with some early gains trimmed.

Demand in the government sector stemmed partly from an insolvency declaration late on Wednesday for the Biscayne Federal Savings and Loan Association, which dealers said served as a reminder to market participants that the financial system continued to embody some very fragile elements.

Retailers were a bright spot among the stocks, assisted by higher March sales figures from many of the major chains. K-mart was up 3% at \$31 1/4, Federated Department Stores 2% at \$57 1/4 and J. C. Penney 1 1/2% at \$53 1/4.

The monitoring of the monthly turn-

over patterns has been meticulous, however. G. C. Murphy, which reported a 1.4 per cent decline for last month against the trend, shed 3 1/2% to \$28 1/4.

Worries over the fortunes of the technology sector were reflected in selling of Digital Equipment, of \$3% at \$118 1/4; Texas Instruments, down 1 1/4% at \$180 1/4.

Pronounced weakness in golds held Toronto back, although base metals showed only marginal losses. Montreal managed a more buoyant tone, with cautious advances evenly distributed throughout the market.

## LONDON

## Base rate hopes boost equities

MOUNTING optimism about an early cut in UK clearing bank base rates took London markets higher yesterday, and at noon, the FT industrial ordinary share index looked poised to move into uncharted territory.

At that time, it was 9.1 up and only 0.5 below its record high, following BAT Industries' excellent preliminary results and surprise three-for-one scrip issue. The announcement generated fresh investment enthusiasm, which had shown signs of flagging after a promising early trade.

Money market interest rates were a key influence throughout, but hopes that the authorities would reduce their intervention rate levels proved to be unfounded. Short-term market rates subsequently hardened to close higher on balance, and equity markets later lost some of their enthusiasm.

The result was that the FT index gave up part of the rise to close a net 8.3 up at 872.2 still only 1.4 off its best-ever mark. Broader-based measurements of the equity market went to new records, including the FT-Actuaries All-share and 500 share indices.

Strengthening interest rate optimism led to a reversal of sterling's recent impressive recovery, which tempered investment in Government securities. Early demand, some on overseas account, was soon satisfied and quotations later drifted lower, help by profit-taking after the previous four-day advance. Longer-dated gilts closed around 1/4 lower, but falls among the shorts were generally limited to 1/4. Index-linked issues continued in favour and gained a maximum of 1/4.

In equities, BAT Industries spurred 85p to 715p, after 725p, after its preliminary results, which were well in excess of market estimates. Other tobacco beneficiaries, with Imps, already standing a couple of pence to the good, ending 8p up at 115p, and Rothmans 8p to 110p.

Strong overnight transatlantic buying of golds followed through into London and led to renewed gains in South African golds and financials, for the fifth successive trading day.

The re-opening of the Johannesburg market gave an additional boost to share prices and the Gold Mines index advanced 12.1 more to 802.6 - a five-day gain of over 71 points.

Leading Australians closed with little overall change, but were reported to be attracting good interest in the after-hours' business.

Share information service, Pages 34-35

## AUSTRALIA

## Solid gains

SHARE prices posted further solid gains in Sydney but the advances were the result of a lack of sellers, rather than any high buying interest. The All Ordinaries index ended at 527.5, compared with the previous 523.7.

Investors are holding back until after next week's national economic summit of business, union and government leaders, which is expected to set the tone of the economic policies to be adopted by the Labor Government.

Gold stock speculators were also out of the market, awaiting a firm indication of which way world bullion prices are headed.

In Melbourne, oil and gas issues and golds, continued to firm. Gains outnumbered declines in the oil sector by 28 to four, and overall by 120 to 68.

## SOUTH AFRICA

## Golds higher

THE BULLION price recovery in London and the U.S. led gold shares sharply higher in Johannesburg yesterday - its first post-Easter trading session. Randfontein advanced R8 to R156 and West Rand Consolidated was R1.30 higher at R9.80.

The higher trend spilled over to most other mining and financial sectors. De Beers rose 12 cents to R8.85, Lydenburg Platinum 40 cents to R8.90 and Anglo American 90 cents to R21.55. Industrials remained directionless.

## FAR EAST

## Tokyo backs away from blue chips

SHARE prices declined during a heavy day's trading in Tokyo as investors hacked off blue chip issues to buy lower priced shares. Electricals, precision instruments and pharmaceuticals all eased while electric railway and paper and pulp issues gained.

Foreign investors, in particular, have focused on the railway issues because the companies not only have large holdings of fixed assets, but have also been moving to develop cable television.

Oils and natural resource developers generally fell on profit-taking following Wednesday's sharp rises, though Teikoku Oil rose ¥100 to ¥846 after an announcement that it had found a large natural gas deposit off Northern Japan.

First section turnover totalled about 500m shares, compared with Wednesday's 350m.

Analysts believe that the Tokyo Stock Exchange has now entered a period of consolidation after its recent highs, with downward corrections likely to be triggered by Wall Street declines. But they think that eventually, the market is likely to resume its climb, particularly if signs emerge of improvements in the domestic economy and Japanese exports.

The analysts point to the market's mixed fortunes this week, with falls alternating with rises after Monday's record market average - as supporting the idea of consolidation.

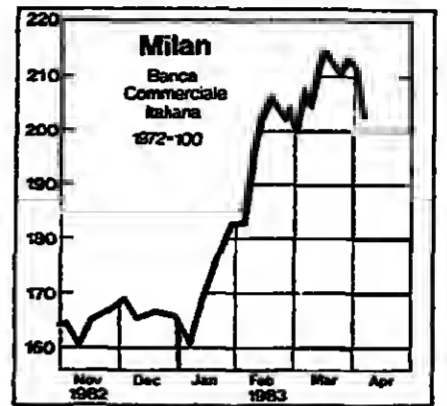
However, they note that there has been no sign of any widespread selling and turnover has been low, with market participants still encouraged by likely future developments.

Overseas buying, mainly of blue chips, enabled Hong Kong to close steady though the volume of business remained small. The depressing effect of poorer than expected corporate results recently appears now to have subsided.

The Hang Seng index closed up 15.68

at 1014, with the rise led by property stocks. Cheung Kong gained 45 cents to HK\$10.10, Hongkong Land 8 cents to HK\$4.25, Hung Hung Kai Properties 15 cents to HK\$7.05 and Swire Properties 30 cents to HK\$6.50.

In Singapore, prices closed narrowly mixed after fluctuating uncertainly in a market which again saw both buying support and profit-taking. At the close, the Straits Times industrial index was up 7.55 at 889.52.



## EUROPE

## Pause in Frankfurt advance

INVESTORS took a pause for breath in Frankfurt yesterday and the Commerzbank index, calculated at mid-session, slipped 1.0 to 822.50 from the 22-year high reached on Wednesday. Leading shares ended narrowly mixed although banks and chemicals did well, against the trend.

In motors, West Germany's leading manufacturer, Volkswagen, slipped DM 3.70 to DM 178.30 ahead of the announcement that no dividend will be paid this year, for the first time since 1975. Among other motor manufacturers, BMW closed DM 3 lower at DM 302.50, although this was DM 1.50 above opening levels, and Daimler rose DM 1 to DM 516.

Dresdner Bank firmed 70 pf to DM 174.20, following the sector's recent healthy results, but BHF fell DM 3.50 to DM 271 ahead of 1982 figures which are expected soon. Other banks met some late profit-taking after performing well earlier in the day.

In stores, Wednesday's strong performer, Kaufhof, fell 30 pf to DM 250.50, but Karstadt rose DM 3 to DM 277 and Herten DM 4 to DM 146.50.

Bond prices were mixed in quiet trading, with the market lacking any impetus from domestic or foreign investors.

The lower overnight Wall Street close left share prices mixed in quiet trading in Amsterdam though few major movements were seen. In internationals, KLM declined F1 3.20 to F1 149.30 while ABN rose F1 2 to F1 362.50. Amro declined 30 cents to F1 62.40, ex its F1 1.50 interim dividend.

Publisher Elsevier jumped F1 14.50 to F1 289.50 towards the end of the trading day. Demand for the stock came from French investors following a favourable report on the company in a French publication. The price movement was, however, exaggerated by the normally thin turnover in Elsevier stock.

Domestic share prices were steady in Brussels, while foreign prices were higher. Stock of the electrical holding company, Electrolux, rallied, gaining Bfr 280 to Bfr 5,610.

Prices were also steady in Paris, though trading was quieter than in recent days, despite some profit-taking. Prices were said to be benefiting from foreign purchases which outweighed the negative effect of Wall Street's overnight fall.

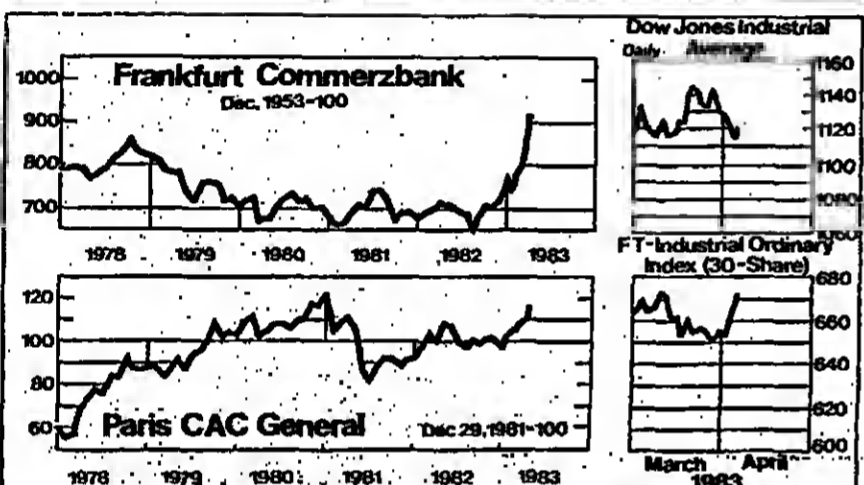
Investors stayed on the sidelines in Zurich awaiting interest rate developments. Banks and insurances closed mostly very steady.

In Milan, prices were widely lower for the third successive day as operators liquidated long positions in the market. The prospect of continued high interest rates was cited as the dampening of investor interest. Prices held up in the fairly active bond market, although convertibles fell back.

In Stockholm, a half-point cut in the discount rate to 8% per cent had little impact on a thin market.

However, in Madrid, prices firmed as the number of stocks traded rose to 186 from Wednesday's 144, with 52 rises, 24 falls and 90 unchanged.

## KEY MARKET MONITORS



STOCK MARKET INDICES			
	Apr 7	Previous	Year ago
NEW YORK			
DJ Industrials	1117.85	1113.49	839.85
DJ Transport	506.11	501.59	344.58
DJ Utilities	124.35	124.40	110.48
S&P Composite	150.96	151.05	115.46
LONDON			
FT Ind Ord	872.2	868.3	560.3
FT-A All-share	421.64	415.96	321.19
FT-A 500	459.14	451.88	345.30
FT-A Ind	426.38	418.53	314.19
FT Gold Mines	802.6	590.5	259.8
FT Govt Secs	81.81	82.03	66.76
TOKYO			
Nikkei-225	8442.45	8479.40	7230.53
Tokyo SE	610.67	613.65	532.45
AUSTRALIA			
All Ord	527.5	523.7	470.4
Metals & Mins.	487.7	487.0	336.8
AUSTRIA			
Credit Aktien	52.71	52.83	53.05
BELGIUM			
Belgian SE	117.67	117.45	101.82
CANADA			
Toronto Composite	2149.1	2151.1	1598.10
Montreal Industrials	361.89	361.11	290.86
Combined	356.87	356.30	267.48
DENMARK			
Copenhagen SE	158.52	157.52	94.98
FRANCE			
CAC Gen	116.8	116.3	100.4
Ind. Tendance	N/A	122.6	113.6
WEST GERMANY			
FAZ-Aktien	306.21	308.24	236.43
Commerzbank	922.5	923.5	720.7
HONG KONG			
Hang Seng	1014.16	998.48	1187.22
ITALY			
Banca Comin.	202.98	204.88	194.50
NETHERLANDS			
ANP-CBS Gen	127.5	127.2	91.9
ANP-CBS Ind	108.3	108.0	72.8
NORWAY			
Oslo SE	154.32	152.11	101.88
SINGAPORE			
Straits Times	889.52	861.97	731.89
SOUTH AFRICA			
Golds	827.2	799.5	457.8
Industrials	835.9	834.8	593.0
SPAIN			
Madrid SE	115.59	114.94	125.34
SWEDEN			
J & P	1260.29	1281.11	581.13
SWITZERLAND			
Swiss Bank Ind	314.0	313.7	281.4
WORLD			
Capital Int'l	185.8	185.5	132.7
GOLD (per ounce)			
	Apr 7	Previous	Year ago
London	\$425.50	\$427.50	
Frankfurt	\$425.75	\$428.50	
Zurich	\$425.50	\$427.50	
Paris (bidding)	\$428.84	\$432.25	
New York (April)	\$427.80	\$428.60	

CURRENCIES			
	Apr 7	Previous	Year ago
U.S. DOLLAR			
£	1.5070	1.5145	
DM	2.4155	2.4150	3.64
Yen	237.6	237.2	358%
FFr	7.2400	7.2375	10.91
Sfr	2.0460	2.0500	3.08
Guil	2.7210	2.7240	4.10%
Lira	1439 1/2	1439	2169
Bfr	48.02	47.90	72.40
CS	1.2997 1/2	1.2950	1.8630
INTEREST RATES			
	Apr 7	Previous	Year ago
Three-month U.S.	9%	9%	
Six-month U.S.	9%	9%	
U.S. Fed Funds	8%	8%	
U.S. 3-month CDs	8.5%	8%	
U.S. 3-month T-bills	8.34	8.37	
FINANCIAL FUTURES			
	Latest	High	Low
CHICAGO			
U.S. Treasury Bonds (CBT)			
8% 32nds of 100%	77-04	77-15	77-03
U.S. Treasury Bills (TBM)			
\$1m points of 100%	91.63	91.73	91.60
Cent Deposit (CMT)			
\$1m points of 100%	90.89	91.05	90.88
LONDON			
Three-month Eurodollar			
\$1m points of 100%	90.67	90.74	90.65
20-year National Gilt			
£50,000 32nds of 100%	105-18	106-03	105-17

LONDON COMMODITY MARKETS			
	Apr 7	Previous	Year ago
Silver (spot fixing)	736.50p	740.40p	
Copper (cash)	£1075.50	£1075.50	
Coffee (May)	£1779.00	£1779.00	
Oil (spot Arabian light)	\$28.50	\$28.37	
WORLD STOCK VALUES			
	Apr 7	Previous	Year ago
World Stock Values	170	165	150



## Gulf Riyadh Bank E.C.

Offshore Banking Unit Established in 1978

Manama Centre Building, P.O. Box 20220, Manama,  
Bahrain Tel: 232030, Telex: 9088, C.R. 8510  
FX & MM Tel: 259413, 259430, Telex: 9089, 9098

Shareholders: RIYAD BANK 60% - CREDIT LYONNAIS 40%

## BALANCE SHEET 31st DECEMBER 1982

ASSETS	US\$	LIABILITIES	US\$
Cash and due from banks	609 893	Time Deposits	1 137 848 108
Banks Time Deposits	694 855 348	Call Deposits	21 911 184
Loans	474 251 150	Other Liabilities	30 215 906
- Short Term	71 927 558	TOTAL LIABILITIES	1 189 975 198
- Medium Term	374 650 569	CAPITAL FUNDS	
- Long Term	27 673 023	Share Capital	20 000 000
Investment Portfolio	49 752 605	Reserves	8 206 610
Other Assets	23 091 262	- Statutory Reserve	1 540 661
Fixed Assets	330 852	- General Reserve	6 665 949
		Subordinated Loan	24 709 302
		TOTAL CAPITAL FUNDS	52 915 912
TOTAL	1 242 891 110	TOTAL	1 242 891 110
COMMITMENTS AND CONTINGENT LIABILITIES			
Guarantees		US\$	29 384 514
Undrawn Loan Commitments		US\$	47 202 130
Foreign Exchange Contracts		US\$	178 851 559

## RESULTS

INCOME	US\$	136 850 197
EXPENDITURE	US\$	127 575 649
OPERATING INCOME	US\$	9 274 548
NET PROFIT	US\$	4 742 550
TRANSFER TO RESERVES	US\$	4 742 550

IBRAHIM SHAMS  
CHAIRMANJEAN DEFLASSIEUX  
DEPUTY CHAIRMAN

## NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]

Friday April 8 1944

Continued on Page 32

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**Continued on Page 32**

d-dividend; d-extra(s); u-annual rate of dividend plus stock dividend; c-acquiring dividend called g-green; n-newly low o-dividend declared or paid in preceding 12 months; g-dividend in Canadian funds; subject to 15% non-residence tax; d-dividend declared after split-up or stock dividend v-dividend paid this year, omitted, deferred, no action taken at latest dividend meeting h-dividend declared or paid this year, an accumulative issue with dividends in arrears; n-new issue in the past 52 weeks The high-low range begins with the start of trading nd-next day future P/E-price-earnings ratio r-dividend declared or paid in preceding 12 months s-split up; sp-split; s-dividend paid in stock in preceding 12 months; estimated cash value on ex-dividend or ex-distribution date u-yearly high i-trading held v-in bankruptcy or receivership or being reorganized under the Companies Act w-without w-warranted w-warrants x-as-ex-dividend or ex-rights yds-as distribution; zw-without warrants y-yd-dividend and sales yld-yield z-sales in full

## WORLD STOCK MARKETS

## CANADA

(Closing Prices)

Stock

Apr 7

Apr 6

Apr 5

Apr 4

Apr 3

Apr 2

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Apr 31

Apr 30

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Apr 28

Apr 27

Apr 26

Apr 25

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Apr 13

Apr 12

## DENMARK

(Closing Prices)

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Apr 5

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## NETHERLANDS

(Closing Prices)

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## AUSTRALIA

(Closing Prices)

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## COMMODITIES AND AGRICULTURE

## Fall in wool output expected

AUSTRALIAN wool production is expected to fall by 4-6 per cent in the 1983-84 season starting July 1, to between 850m-910m bales.

Mr David Adams, Australian Wool Corporation (AWC) chairman, said the drought had affected 87m sheep, half the country's wool sheep. AWC stocks now amount to 1.02m bales, down from a peak of 1.05m at Christmas, and should fall further to between 850,000-1m bales towards the end of the season.

INTERNATIONAL leading agencies that suggest reduced food subsidies for developing countries should urge cuts in arms spending instead, says Mr Edward Sauter, FAO director-general.

JAPAN is considering reducing or ending a 4 per cent tariff imposed on imported palm oil.

AN EEC delegation in Bangkok will discuss community financing of Thailand's plan to subsidize 15,000 hectares of tobacco with rubber.

THE CHICAGO Board of Trade is to introduce a 1 kg gold futures contract on April 12.

CHINA has received a loan of 400,000 yuan from the People's Republic of China to develop its rubber plantations.

THE NATIONAL Soybean Processors Association has filed a complaint with the U.S. government, challenging the oilseed trade practices in Argentina, Brazil, Canada, Malaysia, Portugal and Spain.

THE COUNTRY Landowners' Association will fight "tooth and nail" the Labour Party's proposal to nationalise tenanted land, Lord Middleton, the CLA president, pledged yesterday.

THE PAYMENT in kind programme will be scaled back next year and will possibly not include certain commodities, says U.S. agriculture secretary Mr John Block.

## EEC boost for pork exports wanted

BY OUR COMMODITIES STAFF

SUBSIDISED EXPORTS of pig meat to the Soviet Union and other Eastern bloc countries could help lift British pig farmers out of their present depression, according to Mr Jim Blanchard, chairman of the National Farmers' Union pigs committee.

But he said this could happen only if the subsidies were raised to levels which would allow UK exporters to compete with non-Community suppliers.

Mr Blanchard is quoted in an article in this week's Farming News as saying: "These market behind the Iron Curtain have been identified as likely to be large enough to absorb the surplus of the Community's pig meat."

The market is there. Now it depends on whether the EEC increases in export restrictions will be large enough to absorb the surplus of the Community's pig meat.

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## Cut in cotton acreage

WASHINGTON—The International Cotton Advisory Committee (ICAC) monthly report projects a decline in 1983-84 world cotton acreage and record world yields.

The cut in world plantings is due primarily to the widespread signing by producers in the payment-in-kind (PIK) programme which assures a significant decrease in U.S. cotton acreage, the report said.

It expects the world to pick up this year as the world economic situation improves, with increases in demand and mill activity already reported in some countries.

The ICAC estimates 1983-84 world cotton consumption at 66.1m bales (478 bn lb wt), up from last season's 65.4m, with most of the gain from China, the USSR, Pakistan, India, Brazil and the U.S.

Chinese textile capacity has expanded rapidly recently, the report said.

Mr Chris Major, association director, says the problems have arisen because the EEC has failed to introduce a Community-wide pesticide registration scheme and the UK Agriculture Minister has declined not to introduce statutory support for present control arrangements.

The association wrote to Mrs Pegg Pender, Parliamentary Secretary at the Ministry, as long ago as March 1982, suggesting that without additional statutory support the EEC Commission would not allow the UK pesticide control arrangements to be maintained.

Such legislation was "inevitable" and would have the full support of the industry. The association has been advised not to take action against any member country failing to follow its code of practice in relation to the PPS and Basis.

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## Pesticide ruling 'may harm public health'

BY RICHARD MOONEY

AN EEC Commission ruling which threatens voluntary pesticide safety arrangements by members of the British Agrochemicals Association (BAA) could jeopardise public health and safety, says the association.

The commission has told the BAA that its members are breaking free trade rules by supplying the only crop protection products cleared under the Government's Pesticides Safety Precautions Scheme (PSPS) and by refusing to supply such products to distributors not registered under its own British Agrochemicals Supply Industry Scheme (BASIS).

The association is to ask the commission to exempt its members from Article 85 of the Treaty of Rome, which outlawed adherence to the PSPS and to delay implementation of its objections to the Basis.

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## World tea production increases

WASHINGTON—Tea production last year in leading countries rose 3.6 per cent to an estimated 1.9m metric tons, according to the U.S. Agriculture Department.

Production increased in all regions, although some individual countries showed declines, the department's foreign agricultural service said.

India remained the largest tea producer with 567,000 tons, up from 561,000 in 1981.

Other production included: China, 331,000 tons (343,000 in 1981); Sri Lanka, 188,000 (210,000); Japan, 105,000 (102,000); and "other" Asian countries, 146,000 (162,000).

Kenya, 91,000 (91,000); Malawi, 38,000 (32,000); Mozambique, 20,000 (20,000); Zimbabwe, 11,000 (10,000); and other African countries, 47,000 (46,000). Reuter

Under the proposed system, aid would be paid on the raw material used in processing instead of the finished product.

This would answer FMF criticisms of the existing scheme which it says favours lower concentrations and small pack sizes. It would also eliminate distortions caused by variations in container weights.

But the federation has told the Ministry of Agriculture that it cannot comment on commission proposals for determining representative prices for the Community market, as it considers them too vague.

The only prospect which could encourage pig farmers is the statistic that over the past few weeks slaughtering of sows and boars, breeding animals, is up by 20 per cent and still rising.

Within about a year, this should begin to restrict supplies enough to lift prices — always provided New Zealand refrains from dumping lamb in this direction.

is the lowest except for Greece and this is particularly so for pigmeat, where less than half of Germany's intake is consumed, most other Northern EEC countries consume 50 per cent more. Prices were low, better than 7.70, 7.80, 7.90, 8.00, 8.10, 8.20, 8.30, 8.40, 8.50, 8.60, 8.70, 8.80, 8.90, 9.00, 9.10, 9.20, 9.30, 9.40, 9.50, 9.60, 9.70, 9.80, 9.90, 10.00, 10.10, 10.20, 10.30, 10.40, 10.50, 10.60, 10.70, 10.80, 10.90, 11.00, 11.10, 11.20, 11.30, 11.40, 11.50, 11.60, 11.70, 11.80, 11.90, 12.00, 12.10, 12.20, 12.30, 12.40, 12.50, 12.60, 12.70, 12.80, 12.90, 13.00, 13.10, 13.20, 13.30, 13.40, 13.50, 13.60, 13.70, 13.80, 13.90, 14.00, 14.10, 14.20, 14.30, 14.40, 14.50, 14.60, 14.70, 14.80, 14.90, 15.00, 15.10, 15.20, 15.30, 15.40, 15.50, 15.60, 15.70, 15.80, 15.90, 16.00, 16.10, 16.20, 16.30, 16.40, 16.50, 16.60, 16.70, 16.80, 16.90, 17.00, 17.10, 17.20, 17.30, 17.40, 17.50, 17.60, 17.70, 17.80, 17.90, 18.00, 18.10, 18.20, 18.30, 18.40, 18.50, 18.60, 18.70, 18.80, 18.90, 19.00, 19.10, 19.20, 19.30, 19.40, 19.50, 19.60, 19.70, 19.80, 19.90, 20.00, 20.10, 20.20, 20.30, 20.40, 20.50, 20.60, 20.70, 20.80, 20.90, 21.00, 21.10, 21.20, 21.30, 21.40, 21.50, 21.60, 21.70, 21.80, 21.90, 22.00, 22.10, 22.20, 22.30, 22.40, 22.50, 22.60, 22.70, 22.80, 22.90, 23.00, 23.10, 23.20, 23.30, 23.40, 23.50, 23.60, 23.70, 23.80, 23.90, 24.00, 24.10, 24.20, 24.30, 24.40, 24.50, 24.60, 24.70, 24.80, 24.90, 25.00, 25.10, 25.20, 25.30, 25.40, 25.50, 25.60, 25.70, 25.80, 25.90, 26.00, 26.10, 26.20, 26.30, 26.40, 26.50, 26.60, 26.70, 26.80, 26.90, 27.00, 27.10, 27.20, 27.30, 27.40, 27.50, 27.60, 27.70, 27.80, 27.90, 28.00, 28.10, 28.20, 28.30, 28.40, 28.50, 28.60, 28.70, 28.80, 28.90, 29.00, 29.10, 29.20, 29.30, 29.40, 29.50, 29.60, 29.70, 29.80, 29.90, 30.00, 30.10, 30.20, 30.30, 30.40, 30.50, 30.60, 30.70, 30.80, 30.90, 31.00, 31.10, 31.20, 31.30, 31.40, 31.50, 31.60, 31.70, 31.80, 31.90, 32.00, 32.10, 32.20, 32.30, 32.40, 32.50, 32.60, 32.70, 32.80, 32.90, 33.00, 33.10, 33.20, 33.30, 33.40, 33.50, 33.60, 33.70, 33.80, 33.90, 34.00, 34.10, 34.20, 34.30, 34.40, 34.50, 34.60, 34.70, 34.80, 34.90, 35.00, 35.10, 35.20, 35.30, 35.40, 35.50, 35.60, 35.70, 35.80, 35.90, 36.00, 36.10, 36.20, 36.30, 36.40, 36.50, 36.60, 36.70, 36.80, 36.90, 37.00, 37.10, 37.20, 37.30, 37.40, 37.50, 37.60, 37.70, 37.80, 37.90, 38.00, 38.10, 38.20, 38.30, 38.40, 38.50, 38.60, 38.70, 38.80, 38.90, 39.00, 39.10, 39.20, 39.30, 39.40, 39.50, 39.60, 39.70, 39.80, 39.90, 40.00, 40.10, 40.20, 40.30, 40.40, 40.50, 40.60, 40.70, 40.80, 40.90, 41.00, 41.10, 41.20, 41.30, 41.40, 41.50, 41.60, 41.70, 41.80, 41.90, 42.00, 42.10, 42.20, 42.30, 42.40, 42.50, 42.60, 42.70, 42.80, 42.90, 43.00, 43.10, 43.20, 43.30, 43.40, 43.50, 43.60, 43.70, 43.80, 43.90, 44.00, 44.10, 44.20, 44.30, 44.40, 44.50, 44.60, 44.70, 44.80, 44.90, 45.00, 45.10, 45.20, 45.30, 45.40, 45.50, 45.60, 45.70, 45.80, 45.90, 46.00, 46.10, 46.20, 46.30, 46.40, 46.50, 46.60, 46.70, 46.80, 46.90, 47.00, 47.10, 47.20, 47.30, 47.40, 47.50, 47.60, 47.70, 47.80, 47.90, 48.00, 48.10, 48.20, 48.30, 48.40, 48.50, 48.60, 48.70, 48.80, 48.90, 49.00, 49.10, 49.20, 49.30, 49.40, 49.50, 49.60, 49.70, 49.80, 49.90, 50.00, 50.10, 50.20, 50.30, 50.40, 50.50, 50.60, 50.70, 50.80, 50.90, 51.00, 51.10, 51.20, 51.30, 51.40, 51.50, 51.60, 51.70, 51.80, 51.90, 52.00, 52.10, 52.20, 52.30, 52.40, 52.50, 52.60, 52.70, 52.80, 52.90, 53.00, 53.10, 53.20, 53.30, 53.40, 53.50, 53.60, 53.70, 53.80, 53.90, 54.00, 54.10, 54.20, 54.30, 54.40, 54.50, 54.60, 54.70, 54.80, 54.90, 55.00, 55.10, 55.20, 55.30, 55.40, 55.50, 55.60, 55.70, 55.80, 55.90, 56.00, 56.10, 56.20, 56.30, 56.40, 56.50, 56.60, 56.70, 56.80, 56.90, 57.00, 57.10, 57.20, 57.30, 57.40, 57.50, 57.60, 57.70, 57.80, 57.90, 58.00, 58.10, 58.20, 58.30, 58.40, 58.50, 58.60, 58.70, 58.80, 58.90, 59.00, 59.10, 59.20, 59.30, 59.40, 59.50, 59.60, 59.70, 59.80, 59.90, 60.00, 60.10, 60.20, 60.30, 60.40, 60.50, 60.60, 60.70, 60.80, 60.90, 61.00, 61.10, 61.20, 61.30, 61.40, 61.50, 61.60, 61.70, 61.80, 61.90, 62.00, 62.10, 62.20, 62.30, 62.40, 62.50, 62.60, 62.70, 62.80, 62.90, 63.00, 63.10, 63.20, 63.30, 63.40, 63.50, 63.60, 63.70, 63.80, 63.90, 64.00, 64.10, 64.20, 6

# FT LONDON SHARE INFORMATION SERVICE



## BRITISH FUNDS

1982/83 High Low Stock Price % Chg. Div. Yield

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various British funds like 'British Fund for Africa', 'British Fund for Asia', etc.

## Five to Fifteen Years

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include funds with 5 to 15 year track records.

## Over Fifteen Years

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include funds with over 15 years of history.

## Undated

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include undated funds.

## Index-Linked & Variable Rate

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include index-linked and variable rate funds.

## INT. BANK AND O'SEAS GOVT. STERLING ISSUES

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include international bank and overseas government sterling issues.

## CORPORATION LOANS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include corporation loans.

## COMMONWEALTH AND AFRICAN LOANS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include commonwealth and African loans.

## LOANS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include general loans.

## Public Bond and Ind.

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include public bond and industrial funds.

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Text about the Financial Times Business Information Service.

Text about the Financial Times Business Information Service.

Text about the Financial Times Business Information Service.

## LOANS—Continued

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various loan funds.

## FOREIGN BONDS & RAILS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include foreign bonds and rails.

## AMERICANS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include American funds.

## BEERS, WINES AND SPIRITS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include beer, wine, and spirit funds.

## BUILDING INDUSTRY, TIMBER AND ROADS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include building, timber, and road funds.

## CANADIANS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include Canadian funds.

## BANKS, H.P. & LEASING

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include bank, H.P., and leasing funds.

## BANKS—Continued

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various bank funds.

## HIRE PURCHASE, LEASING, ETC.

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include hire purchase, leasing, etc. funds.

## DRAPERY AND STORES

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include drapery and store funds.

## ELECTRICALS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include electrical funds.

## FOOD, GROCERIES, ETC.

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include food, grocery, etc. funds.

## CHEMICALS, PLASTICS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include chemical and plastic funds.

## ELECTRICALS—Continued

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include continued electrical funds.

## FOOD, GROCERIES, ETC.—Continued

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include continued food, grocery, etc. funds.

## CHEMICALS, PLASTICS—Continued

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include continued chemical and plastic funds.

## ELECTRICALS—Continued

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include continued electrical funds.

## FOOD, GROCERIES, ETC.—Continued

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include continued food, grocery, etc. funds.

## CHEMICALS, PLASTICS—Cont.

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various chemical and plastic funds.

## DRAPERY AND STORES—Continued

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include continued drapery and store funds.

## ELECTRICALS—Continued

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include continued electrical funds.

## FOOD, GROCERIES, ETC.—Continued

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include continued food, grocery, etc. funds.

## CHEMICALS, PLASTICS—Continued

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include continued chemical and plastic funds.

## ELECTRICALS—Continued

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include continued electrical funds.

## FOOD, GROCERIES, ETC.—Continued

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include continued food, grocery, etc. funds.

## CHEMICALS, PLASTICS—Continued

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include continued chemical and plastic funds.

## ELECTRICALS—Continued

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include continued electrical funds.

## FOOD, GROCERIES, ETC.—Continued

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include continued food, grocery, etc. funds.

## CHEMICALS, PLASTICS—Continued

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include continued chemical and plastic funds.

## ELECTRICALS—Continued

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various electrical funds.

## ENGINEERING MACHINE TOOLS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include engineering and machine tool funds.

## HOTELS AND CATERERS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include hotel and caterer funds.

## INDUSTRIALS (Misc.)

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various industrial funds.

## FOOD, GROCERIES, ETC.

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various food, grocery, etc. funds.

## CHEMICALS, PLASTICS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various chemical and plastic funds.

## ELECTRICALS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various electrical funds.

## FOOD, GROCERIES, ETC.

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various food, grocery, etc. funds.

## CHEMICALS, PLASTICS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various chemical and plastic funds.

## ELECTRICALS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various electrical funds.

## FOOD, GROCERIES, ETC.

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various food, grocery, etc. funds.

## FOOD, GROCERIES—Cont.

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various food and grocery funds.

## HOTELS AND CATERERS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include hotel and caterer funds.

## INDUSTRIALS (Misc.)

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various industrial funds.

## FOOD, GROCERIES, ETC.

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various food, grocery, etc. funds.

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## FOOD, GROCERIES, ETC.

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## ELECTRICALS

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## FOOD, GROCERIES, ETC.

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various food, grocery, etc. funds.

## CHEMICALS, PLASTICS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various chemical and plastic funds.

## ELECTRICALS

Table with 6 columns: Fund Name, High, Low, Stock, Price, % Chg., Div. Yield. Rows include various electrical funds.



## CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

## Sterling slips back as dollar improves

Sterling lost ground in currency markets yesterday mainly as a reaction to its recent sharp rise. While the mood of the market remained bullish, there appeared to be a desire to consolidate at current levels for the time being.

The dollar improved in late trading and this trend continued in New York. While Eurodollar period rates were a little easier, short term rates showed little sign of any sustained fall, leaving most people unwilling to go short on dollars.

**STERLING** — Trading range against the dollar in 1982-83 is 1.5365 to 1.4540. March average 1.4592. Trade weighted index 80.5 against 80.8 at noon and 80.9 to the morning and compared with 80.9 on Wednesday and 82.4 six months ago. Sterling's initial reaction to the latest North Sea oil prices has been favourable and it is now some way above record lows touched recently. Sterling opened at \$1.5150 against the dollar, its best level of the day and touched a low of \$1.5055 in the afternoon before closing at \$1.5065-1.5075, a fall of 75 points. Against the D-mark it fell to DM 2.4100 from DM 2.4110 and SwFr 2.4050 from SwFr 2.4060.

## EMS EUROPEAN CURRENCY UNIT RATES

Country	Unit	Rate	% change
Belgium	Franc	44.3662	+0.02
Denmark	Krone	2.4645	+0.02
France	Franc	2.4645	+0.02
Germany	Mark	2.4645	+0.02
Italy	Lira	1.3667	+0.02
Netherlands	Guilder	2.4645	+0.02
Portugal	Escudo	2.4645	+0.02
Spain	Peseta	2.4645	+0.02
Sweden	Krona	2.4645	+0.02
Switzerland	Franc	2.4645	+0.02
United Kingdom	Pound	2.4645	+0.02

Changes are for ECU, common positive change denotes a weak currency. Adjustments calculated by Financial Times.

## OTHER CURRENCIES

Country	Unit	Rate	% change
Argentina	Peso	1.1058	+0.02
Australia	Dollar	1.4540	+0.02
Brazil	Cruzado	640.87	+0.02
Canada	Dollar	1.2370	+0.02
Denmark	Krone	2.4645	+0.02
France	Franc	2.4645	+0.02
Germany	Mark	2.4645	+0.02
Italy	Lira	1.3667	+0.02
Netherlands	Guilder	2.4645	+0.02
Portugal	Escudo	2.4645	+0.02
Spain	Peseta	2.4645	+0.02
Sweden	Krona	2.4645	+0.02
Switzerland	Franc	2.4645	+0.02
United Kingdom	Pound	2.4645	+0.02

\*Selling rates.

## THE DOLLAR SPOT AND FORWARD

Month	Rate	% change
1 month	1.5065	+0.02
3 months	1.5065	+0.02
6 months	1.5065	+0.02
12 months	1.5065	+0.02

UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

Belgian rate is for convertible francs. Financial rate 48.90/49.00.

## EXCHANGE CROSS RATES

Country	Unit	Rate	% change
Argentina	Peso	1.1058	+0.02
Australia	Dollar	1.4540	+0.02
Brazil	Cruzado	640.87	+0.02
Canada	Dollar	1.2370	+0.02
Denmark	Krone	2.4645	+0.02
France	Franc	2.4645	+0.02
Germany	Mark	2.4645	+0.02
Italy	Lira	1.3667	+0.02
Netherlands	Guilder	2.4645	+0.02
Portugal	Escudo	2.4645	+0.02
Spain	Peseta	2.4645	+0.02
Sweden	Krona	2.4645	+0.02
Switzerland	Franc	2.4645	+0.02
United Kingdom	Pound	2.4645	+0.02

UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

Belgian rate is for convertible francs. Financial rate 48.90/49.00.

## MONEY MARKETS

## UK rates show steadier trend

UK clearing bank base lending rate 10 1/2 per cent (since March 15 and 16). The money market paused for breath yesterday after the recent sharp fall in rates as the Bank of England's policy of raising the base rate by 1/2 per cent was implemented. The market was unchanged and implementing a small squeeze by under-lying the market. Period rates finished about 1/2 per cent above opening levels while overnight interbank money touched a high of 20 per cent from an opening level of 10 1/2 per cent. Late balances were taken around 16 per cent. However the market remained bullish, showing undiminished hopes of an early cut in base rates.

The Bank forecast a shortage of around £700m initially although these were expected to rise to £800m and then to £700m. Factors affecting the market included bills maturing in official hands and the take up of Treasury bills. The unwinding of previous sale and repurchase agreements — £135m. In addition, Exchequer transactions during the morning totalled £58m, comprising purchases of £30m of local authority bills and £28m of eligible bank bills in band 1 (up to 14 days) at 10 1/2 per cent. The Bank gave additional assistance in the afternoon of £370m, making a grand total of £460m. The afternoon help com-

## LONDON MONEY RATES

Month	Rate	% change
1 month	1.5065	+0.02
3 months	1.5065	+0.02
6 months	1.5065	+0.02
12 months	1.5065	+0.02

ECG Rate Export Finance Scheme IV Average Rate for interest period March 2 to April 5 1983 (inclusive)

10.75 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 11 per cent; four years 11 1/2 per cent; five years 11 1/2 per cent; six years 11 1/2 per cent; seven years 11 1/2 per cent; eight years 11 1/2 per cent; nine years 11 1/2 per cent; ten years 11 1/2 per cent; eleven years 11 1/2 per cent; twelve years 11 1/2 per cent; thirteen years 11 1/2 per cent; fourteen years 11 1/2 per cent; fifteen years 11 1/2 per cent; sixteen years 11 1/2 per cent; seventeen years 11 1/2 per cent; eighteen years 11 1/2 per cent; nineteen years 11 1/2 per cent; twenty years 11 1/2 per cent; twenty-one years 11 1/2 per cent; twenty-two years 11 1/2 per cent; twenty-three years 11 1/2 per cent; twenty-four years 11 1/2 per cent; twenty-five years 11 1/2 per cent; twenty-six years 11 1/2 per cent; twenty-seven years 11 1/2 per cent; twenty-eight years 11 1/2 per cent; twenty-nine years 11 1/2 per cent; thirty years 11 1/2 per cent; thirty-one years 11 1/2 per cent; thirty-two years 11 1/2 per cent; thirty-three years 11 1/2 per cent; thirty-four years 11 1/2 per cent; thirty-five years 11 1/2 per cent; thirty-six years 11 1/2 per cent; thirty-seven years 11 1/2 per cent; thirty-eight years 11 1/2 per cent; thirty-nine years 11 1/2 per cent; forty years 11 1/2 per cent; forty-one years 11 1/2 per cent; forty-two years 11 1/2 per cent; forty-three years 11 1/2 per cent; forty-four years 11 1/2 per cent; forty-five years 11 1/2 per cent; forty-six years 11 1/2 per cent; forty-seven years 11 1/2 per cent; forty-eight years 11 1/2 per cent; forty-nine years 11 1/2 per cent; fifty years 11 1/2 per cent; fifty-one years 11 1/2 per cent; fifty-two years 11 1/2 per cent; fifty-three years 11 1/2 per cent; fifty-four years 11 1/2 per cent; fifty-five years 11 1/2 per cent; fifty-six years 11 1/2 per cent; fifty-seven years 11 1/2 per cent; fifty-eight years 11 1/2 per cent; fifty-nine years 11 1/2 per cent; sixty years 11 1/2 per cent; sixty-one years 11 1/2 per cent; sixty-two years 11 1/2 per cent; sixty-three years 11 1/2 per cent; sixty-four years 11 1/2 per cent; sixty-five years 11 1/2 per cent; sixty-six years 11 1/2 per cent; sixty-seven years 11 1/2 per cent; sixty-eight years 11 1/2 per cent; sixty-nine years 11 1/2 per cent; seventy years 11 1/2 per cent; seventy-one years 11 1/2 per cent; seventy-two years 11 1/2 per cent; seventy-three years 11 1/2 per cent; seventy-four years 11 1/2 per cent; seventy-five years 11 1/2 per cent; seventy-six years 11 1/2 per cent; seventy-seven years 11 1/2 per cent; seventy-eight years 11 1/2 per cent; seventy-nine years 11 1/2 per cent; eighty years 11 1/2 per cent; eighty-one years 11 1/2 per cent; eighty-two years 11 1/2 per cent; eighty-three years 11 1/2 per cent; eighty-four years 11 1/2 per cent; eighty-five years 11 1/2 per cent; eighty-six years 11 1/2 per cent; eighty-seven years 11 1/2 per cent; eighty-eight years 11 1/2 per cent; eighty-nine years 11 1/2 per cent; ninety years 11 1/2 per cent; ninety-one years 11 1/2 per cent; ninety-two years 11 1/2 per cent; ninety-three years 11 1/2 per cent; ninety-four years 11 1/2 per cent; ninety-five years 11 1/2 per cent; ninety-six years 11 1/2 per cent; ninety-seven years 11 1/2 per cent; ninety-eight years 11 1/2 per cent; ninety-nine years 11 1/2 per cent; one hundred years 11 1/2 per cent; one hundred and one years 11 1/2 per cent; one hundred and two years 11 1/2 per cent; one hundred and three years 11 1/2 per cent; one hundred and four years 11 1/2 per cent; one hundred and five years 11 1/2 per cent; one hundred and six years 11 1/2 per cent; one hundred and seven years 11 1/2 per cent; one hundred and eight years 11 1/2 per cent; one hundred and nine years 11 1/2 per cent; one hundred and ten years 11 1/2 per cent; one hundred and eleven years 11 1/2 per cent; one hundred and twelve years 11 1/2 per cent; one hundred and thirteen years 11 1/2 per cent; one hundred and fourteen years 11 1/2 per cent; one hundred and fifteen years 11 1/2 per cent; one hundred and sixteen years 11 1/2 per cent; one hundred and seventeen years 11 1/2 per cent; one hundred and eighteen years 11 1/2 per cent; one hundred and nineteen years 11 1/2 per cent; one hundred and twenty years 11 1/2 per cent; one hundred and twenty-one years 11 1/2 per cent; one hundred and twenty-two years 11 1/2 per cent; one hundred and twenty-three years 11 1/2 per cent; one hundred and twenty-four years 11 1/2 per cent; one hundred and twenty-five years 11 1/2 per cent; one hundred and twenty-six years 11 1/2 per cent; one hundred and twenty-seven years 11 1/2 per cent; one hundred and twenty-eight years 11 1/2 per cent; one hundred and twenty-nine years 11 1/2 per cent; one hundred and thirty years 11 1/2 per cent; one hundred and thirty-one years 11 1/2 per cent; one hundred and thirty-two years 11 1/2 per cent; one hundred and thirty-three years 11 1/2 per cent; one hundred and thirty-four years 11 1/2 per cent; one hundred and thirty-five years 11 1/2 per cent; one hundred and thirty-six years 11 1/2 per cent; one hundred and thirty-seven years 11 1/2 per cent; one hundred and thirty-eight years 11 1/2 per cent; one hundred and thirty-nine years 11 1/2 per cent; one hundred and forty years 11 1/2 per cent; one hundred and forty-one years 11 1/2 per cent; one hundred and forty-two years 11 1/2 per cent; one hundred and forty-three years 11 1/2 per cent; one hundred and forty-four years 11 1/2 per cent; one hundred and forty-five years 11 1/2 per cent; one hundred and forty-six years 11 1/2 per cent; one hundred and forty-seven years 11 1/2 per cent; one hundred and forty-eight years 11 1/2 per cent; one hundred and forty-nine years 11 1/2 per cent; one hundred and fifty years 11 1/2 per cent; one hundred and fifty-one years 11 1/2 per cent; one hundred and fifty-two years 11 1/2 per cent; one hundred and fifty-three years 11 1/2 per cent; one hundred and fifty-four years 11 1/2 per cent; one hundred and fifty-five years 11 1/2 per cent; one hundred and fifty-six years 11 1/2 per cent; one hundred and fifty-seven years 11 1/2 per cent; one hundred and fifty-eight years 11 1/2 per cent; one hundred and fifty-nine years 11 1/2 per cent; one hundred and sixty years 11 1/2 per cent; one hundred and sixty-one years 11 1/2 per cent; one hundred and sixty-two years 11 1/2 per cent; one hundred and sixty-three years 11 1/2 per cent; one hundred and sixty-four years 11 1/2 per cent; one hundred and sixty-five years 11 1/2 per cent; one hundred and sixty-six years 11 1/2 per cent; one hundred and sixty-seven years 11 1/2 per cent; one hundred and sixty-eight years 11 1/2 per cent; one hundred and sixty-nine years 11 1/2 per cent; one hundred and seventy years 11 1/2 per cent; one hundred and seventy-one years 11 1/2 per cent; one hundred and seventy-two years 11 1/2 per cent; one hundred and seventy-three years 11 1/2 per cent; one hundred and seventy-four years 11 1/2 per cent; one hundred and seventy-five years 11 1/2 per cent; one hundred and seventy-six years 11 1/2 per cent; one hundred and seventy-seven years 11 1/2 per cent; one hundred and seventy-eight years 11 1/2 per cent; one hundred and seventy-nine years 11 1/2 per cent; one hundred and eighty years 11 1/2 per cent; one hundred and eighty-one years 11 1/2 per cent; one hundred and eighty-two years 11 1/2 per cent; one hundred and eighty-three years 11 1/2 per cent; one hundred and eighty-four years 11 1/2 per cent; one hundred and eighty-five years 11 1/2 per cent; one hundred and eighty-six years 11 1/2 per cent; one hundred and eighty-seven years 11 1/2 per cent; one hundred and eighty-eight years 11 1/2 per cent; one hundred and eighty-nine years 11 1/2 per cent; one hundred and ninety years 11 1/2 per cent; one hundred and ninety-one years 11 1/2 per cent; one hundred and ninety-two years 11 1/2 per cent; one hundred and ninety-three years 11 1/2 per cent; one hundred and ninety-four years 11 1/2 per cent; one hundred and ninety-five years 11 1/2 per cent; one hundred and ninety-six years 11 1/2 per cent; one hundred and ninety-seven years 11 1/2 per cent; one hundred and ninety-eight years 11 1/2 per cent; one hundred and ninety-nine years 11 1/2 per cent; two hundred years 11 1/2 per cent; two hundred and one years 11 1/2 per cent; two hundred and two years 11 1/2 per cent; two hundred and three years 11 1/2 per cent; two hundred and four years 11 1/2 per cent; two hundred and five years 11 1/2 per cent; two hundred and six years 11 1/2 per cent; two hundred and seven years 11 1/2 per cent; two hundred and eight years 11 1/2 per cent; two hundred and nine years 11 1/2 per cent; two hundred and ten years 11 1/2 per cent; two hundred and eleven years 11 1/2 per cent; two hundred and twelve years 11 1/2 per cent; two hundred and thirteen years 11 1/2 per cent; two hundred and fourteen years 11 1/2 per cent; two hundred and fifteen years 11 1/2 per cent; two hundred and sixteen years 11 1/2 per cent; two hundred and seventeen years 11 1/2 per cent; two hundred and eighteen years 11 1/2 per cent; two hundred and nineteen years 11 1/2 per cent; two hundred and twenty years 11 1/2 per cent; two hundred and twenty-one years 11 1/2 per cent; two hundred and twenty-two years 11 1/2 per cent; two hundred and twenty-three years 11 1/2 per cent; two hundred and twenty-four years 11 1/2 per cent; two hundred and twenty-five years 11 1/2 per cent; two hundred and twenty-six years 11 1/2 per cent; two hundred and twenty-seven years 11 1/2 per cent; two hundred and twenty-eight years 11 1/2 per cent; two hundred and twenty-nine years 11 1/2 per cent; two hundred and thirty years 11 1/2 per cent; two hundred and thirty-one years 11 1/2 per cent; two hundred and thirty-two years 11 1/2 per cent; two hundred and thirty-three years 11 1/2 per cent; two hundred and thirty-four years 11 1/2 per cent; two hundred and thirty-five years 11 1/2 per cent; two hundred and thirty-six years 11 1/2 per cent; two hundred and thirty-seven years 11 1/2 per cent; two hundred and thirty-eight years 11 1/2 per cent; two hundred and thirty-nine years 11 1/2 per cent; two hundred and forty years 11 1/2 per cent; two hundred and forty-one years 11 1/2 per cent; two hundred and forty-two years 11 1/2 per cent; two hundred and forty-three years 11 1/2 per cent; two hundred and forty-four years 11 1/2 per cent; two hundred and forty-five years 11 1/2 per cent; two hundred and forty-six years 11 1/2 per cent; two hundred and forty-seven years 11 1/2 per cent; two hundred and forty-eight years 11 1/2 per cent; two hundred and forty-nine years 11 1/2 per cent; two hundred and fifty years 11 1/2 per cent; two hundred and fifty-one years 11 1/2 per cent; two hundred and fifty-two years 11 1/2 per cent; two hundred and fifty-three years 11 1/2 per cent; two hundred and fifty-four years 11 1/2 per cent; two hundred and fifty-five years 11 1/2 per cent; two hundred and fifty-six years 11 1/2 per cent; two hundred and fifty-seven years 11 1/2 per cent; two hundred and fifty-eight years 11 1/2 per cent; two hundred and fifty-nine years 11 1/2 per cent; two hundred and sixty years 11 1/2 per cent; two hundred and sixty-one years 11 1/2 per cent; two hundred and sixty-two years 11 1/2 per cent; two hundred and sixty-three years 11 1/2 per cent; two hundred and sixty-four years 11 1/2 per cent; two hundred and sixty-five years 11 1/2 per cent; two hundred and sixty-six years 11 1/2 per cent; two hundred and sixty-seven years 11 1/2 per cent; two hundred and sixty-eight years 11 1/2 per cent; two hundred and sixty-nine years 11 1/2 per cent; two hundred and seventy years 11 1/2 per cent; two hundred and seventy-one years 11 1/2 per cent; two hundred and seventy-two years 11 1/2 per cent; two hundred and seventy-three years 11 1/2 per cent; two hundred and seventy-four years 11 1/2 per cent; two hundred and seventy-five years 11 1/2 per cent; two hundred and seventy-six years 11 1/2 per cent; two hundred and seventy-seven years 11 1/2 per cent; two hundred and seventy-eight years 11 1/2 per cent; two hundred and seventy-nine years 11 1/2 per cent; two hundred and eighty years 11 1/2 per cent; 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## FINANCIAL TIMES SURVEY

## End of an era—and many illusions

BY IAN RODGER

CANADIANS ARE in an unusually subdued state—still shellshocked from the dramatic downturn in the economy last year, and bemused by the looming prospect of major changes in the country's leadership for the first time in 15 years.

Within the next year or so, Mr. Pierre Trudeau, the Prime Minister, and Mr. René Lévesque, the Quebec premier, are likely to retire from public office, both victims of a significant re-ordering of Canada's political agenda: new politics place.

Ever since 1967 when General de Gaulle whipped up French Canadian nationalism with his cry of "Vive le Québec libre" from the balcony of Montreal City Hall, these two brilliant Quebecers have dominated the public life of the country. Single minded, they worked to promote their diametrically opposed visions of the country's future.

Both wanted to revitalise French-Canadian society—Mr. Lévesque by giving it a 70 per cent French minority national home in a separated Quebec; Mr. Trudeau by using bilingualism as the bridge between the two founding nations of this huge country. Mr. Lévesque preached Quebec nationalism, Mr. Trudeau the pursuit of a specifically Canadian identity in North America.

Despite the diversity of their objectives, the programmes introduced by these two leaders have changed the character of the country irrevocably. But there is still no final resolution to the constitutional debate, and there may never be one. Indeed, at various points during the Trudeau-Lévesque era, the debate widened as Canadians in all regions of this immense country began to wonder if the existing structure served them well.

However, in the harsh climate of today, Canadians are less preoccupied with their constitutional future than with trying to bolster their battered and neglected economy. Mr. Trudeau has been widely criticised for his management

of the economy, and there is no doubt that the record of the past 15 years consists of chronic overspending and a number of wasted opportunities.

But the criticism is somewhat unfair. Mr. Trudeau was elected primarily to check the secessionist threat in Quebec and to create "the just society." He probably shared the view of most Canadians at that time that all things were possible in this richly-endowed land, and so didn't worry too much about the economy.

And, for a long time, all things were possible. For example, Canada's considerable oil resources made it appear possible to insulate the domestic market from the sharp increases in world prices that occurred in the early 1970s. Canada's political leaders quickly opted for that seemingly easy solution, although they failed to apply the discipline to other costs that would have enabled Canada's industry to take advantage of their good fortune in export markets.

## Diversifying trade

The late 1960s and early 1970s were also the years of a new economic nationalism in Canada, and a distaste—growing partly out of the Vietnam war—for things American. Many Canadians wanted to reduce the country's overwhelming dependence on U.S. trade by diversifying their trade. They also became increasingly unhappy about exporting raw resources, such as oil and gas, rather than value added petrochemicals.

Today, the country's trade with the U.S. is just as important as it was ten years ago and no one talks any more about the so-called Third Option, under which trade links with Europe were to be strengthened. The big new petrochemical plants that have been built in Ontario, Quebec and Alberta look increasingly fragile in a world

of declining oil prices and soft markets.

For many foreigners, the symbol of the early 1970s was the Foreign Investment Review Agency, established by the Federal Government to examine all new foreign investment projects and to accept only those seen to be in the Canadian interest. FIRA was powerful and disruptive for a long time, but even it has been toned down in recent months.

Canada's economy started to go badly off course in the mid-1970s because the Government continued to stimulate demand even though growth rates were satisfactory. The system couldn't cope, and so wages and prices rose at a significantly faster pace in Canada than in the U.S.

At first, the exchange rate fell to offset the comparative loss of productivity, but in mid-1981 when U.S. interest rates soared, this was no longer adequate. An accelerating outflow of investment funds—provoked largely by a nationalistic oil policy, forced the Government to raise interest rates above U.S. levels, bringing on the inevitable deflation. GNP fell nearly 3 per cent last year, the biggest annual decline since the 1930s and the first in over a decade. Corporate profits plunged and most of the big resource "megaprojects" that were driving the economy

Declining world oil prices and difficult export markets have put the country in a different mood. The domestic issues of the past have given way to concern about finding strategies for the 1980s

had to be cancelled or postponed.

Unemployment has soared to 12.8 per cent and real incomes have fallen. In the past few months, wage settlements have finally begun to respond. Three-year agreements are increasingly common, cost-of-living adjustments clauses are being thrown out and zero increases in the first year are becoming the norm. A recovery is getting under

way, but it is being led mainly by the upturn in the U.S. and by a return of consumer confidence. The corporate sector has been badly bruised by the recession; many leading companies were caught with excessive borrowings and, for a while last year, questions were even being raised about the stability of the big national banks. Most economists believe it will be some time before corporate debt-equity ratios are

restored to the point where capital spending by industry will contribute to recovery.

In the meantime, business and Government leaders are turning their attention to the problem of finding economic and industrial strategies suitable for Canada in the harsh world trading climate of the 1980s.

A Royal Commission on the country's economic prospects was set up last year, and many people hope that its findings will have the same dramatic impact that another Royal Commission did nearly 20 years ago with its recommendation to adopt a policy of bilingualism to hold together English and French Canada.

Certainly, the prevailing mood of businessmen and politicians about the country's prospects is sharply different from what it was 10 years ago. One economist said "There is no shame in being hewers of wood and drawers of water. But we are going to have to work a lot harder to do even those things better than anyone else."

This new focus on resource strengths has been seen in the federal Government's determination to proceed with legislation to enable grain freight rates to be raised to realistic levels, so that the railways will invest in desperately needed expansion of their handling capacity.

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Similarly, Mr. Trudeau's official visit to Japan and six other countries in the Far East in January, underlined the Government's commitment to see Canada become a major supplier of resources and resource technology to the Pacific Rim countries.

Like every country, Canada is also eager to find a place in high technology industries. So far, without much overall direction, a number of Canadian companies have found important niches in the telecommunications and aerospace sectors.

Although it has at times been interventionist in its industrial policies, the Government seems inclined to restrict its role to one of generous financial support.

One economist coined a phrase which could catch on when he called for a programme to automate the forest industry by "bringing chips to chips."

Aggressive behaviour

A decade ago, Canada was behaving aggressively towards its powerful neighbour, the United States, raising export oil and gas prices and deploring the high degree of U.S. ownership of Canadian corporations.

Today, Canadians are scrambling to keep up with complaints about Canadian actions, from the alleged dumping of lumber to the labelling by Washington of a Canadian film about acid rain as propaganda.

And they are finding that the old informal communication channels to Washington through the U.S. Administration no longer work. They have to learn to advance their interests through a more powerful and independent Congress and the ubiquitous political action groups as well.

Despite the many recent assaults on Canadians' illusions, there is no evidence that the people are discouraged. The country's identity and cultural life seem stronger than ever.

Quebecois were outraged that their separatist provincial Government attempted to make vindictive political capital out of the lack of French language services in a predominantly English-language hospital in Montreal. A few years ago, most Quebecois intellectuals would have urged the Government on.

And in Ontario, the large French-speaking minority have finally been given the right to have their children educated in French, regardless of expense. A few years ago in Ontario, such a move would have caused an uproar, but last month it passed without incident.

A new broadcasting policy has been published recently, accepting gracefully that Canada cannot fight off the flood of popular television programming from the U.S. But far from giving up, the Canadian Broadcasting Corporation has announced that it will get out of the ratings race for good and concentrate on making quality programmes, even if this means a loss in audience share. A move that has been widely acclaimed.

Last month also saw the annual awards for the best films made in Canada, and one leading critic was moved to observe that it was the first time ever that there were enough good productions and performers that no awards had to be given to howlers.

What remains surprising is the feeling of political vacuum in the country. Both Mr. Trudeau and Mr. Lévesque show definite signs of fatigue and the polls show that their constituents are clearly disenchanted with them.

But like the two old arch rivals they are, both seem to be hanging on in the hope that the other will retire first. And they are characters of such a scale that none of the candidates moved to succeed them looks at all impressive.

But then there is no such thing as a vacuum in politics, and any vagueness about the outlook for Canada is bound to clarify before long.

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## CANADA II

The Liberal government is unpopular, but who will follow the old pro?

## Trudeau retirement looming again

AN UNEXPECTED race for the leadership of the National Progressive Conservative party this spring has made Canadians recognise that a federal election may not be far away.

At a party conference in January, Mr Joe Clark, the hapless Tory leader, decided that 67 per cent support of his leadership was not enough and called for a leadership race in which he would be a contestant.

Followers immediately began examining the chances of potential candidates and confirmed what most Canadians knew already: that almost any Tory leader could beat the Liberals. It is difficult to pin down the reasons for the unpopularity of the Liberal Government in particular of Mr Pierre Trudeau, Prime Minister for all of the past 15 years except for a brief interlude in 1979 when Mr Clark formed a minority Government.

To a large extent, Mr Trudeau is taking the blame for the poor state of the economy. Canadians have often been disappointed by his amateurish improvisations in the area of economic management.

But also, one hears Canadians say simply that he makes them angry. They resent his cynicism—as in the recent appointment to the Senate of his close friend and aide, Mr Michael Pitfield. They are offended by his arrogance and insensitivity—as when last summer, at the trough of the recession, he took his sons on a holiday trip across the country in the Governor-General's lavish rail carriage and snubbed those who came out to demonstrate or just to see him.

Perhaps he has just been there too long and, having achieved his major objective of patriating the constitution, is no longer interested in the job.

## Run willingly

On the other hand, it is said that he enjoys being on the world stage and, if there were any chance of his being re-elected, would willingly resign again. Mr Trudeau has come from a planned retirement once before, in 1979, when the Liberal party decided—rightly, as it turned out—that he could lead them back to power, and he could do it again.

But it seems unlikely. There is no urgency about getting a new Liberal leader this time. The Government is in only the third year of its mandate, and there is a widespread recognition among Liberals that Mr Trudeau must go if they are to have any chance of retaining power.

A few months ago, no one would have given the Liberals, who have governed the country for most of this century, much of a chance in the forthcoming election, regardless of leader. But the Tories have once again shown their uncanny knack for shooting themselves in the foot. Mr Clark may not be an inspiring, charismatic leader, but he was improving. His decision to abandon the leadership and then to contest the leadership appears odd at best. What will his position be if he wins the party's June convention with less than the 97 per cent support he had last time?

Also, none of the other candidates for the leadership are much more impressive than Mr Clark. The perceived runner, Mr Brian Mulroney, a Quebec lawyer and mining company executive, has lots of style and solid Quebec support, but no experience of elected office.

None of the other candidates is bilingual—a virtually disqualifying disadvantage these days—although Mr David Crombie, the amiable former Mayor of Toronto, is working hard at his French.

There has been much speculation about the possible return of Mr Peter Lougheed, premier

of Alberta and Mr William Davis, premier of Ontario, but they seem to have ruled themselves out. There is no precedent for a provincial premier becoming Prime Minister and both men, although more attractive than some of the other candidates, would suffer from their strong identification with regional interests.

It is widely thought that Mr Trudeau was on the verge of announcing his retirement when the unexpected Tory leadership race emerged. It is now thought that he will go this summer, so that a new leader can be chosen and have the advantage of a few months' experience in office before seeking his own mandate. The Liberals are above all a pragmatic party—opponents call them unprincipled—and they will embrace any candidate who gives them hope of retaining power.

Fortunately for them, there is such a potential candidate. Mr John Turner, the former Finance Minister, who withdrew from politics in 1975 to practise law in Toronto. Mr Turner is handsome, bilingual and has roots in British Columbia, New Brunswick, Quebec and, through his wife, in Manitoba. He has the instinctive sensitivity to Canada's regional diversity that Mr Trudeau so lacks.

Mr Trudeau has seen support for the Liberals evaporate entirely west of Winnipeg since

1968, but there already are signs of Liberals coming out of Vancouver closets at the prospect of Mr Turner as Prime Minister. Polls indicate that he is the only potential Liberal candidate who could beat the Tories.

## Amenable

There is much speculation about Mr Turner's willingness to run—he refused in 1979 when Mr Trudeau made his abrupt retirement—but people close to him indicate that he is more amenable this time.

Another popular candidate would be Mr Jean Chretien, the present Energy Minister. Although the Liberals' practice is to alternate leaders from French and English language backgrounds, Mr Chretien is apparently eager to run and he thinks Mr Turner is vulnerable to criticism for abandoning the party and the Government when they needed him.

At the provincial level no fewer than six elections took place last year, but in only one did power change hands. The New Democratic Party (social democratic) Government of the province of Mr Allan Rock in Saskatchewan was defeated by the Conservatives.

This year, pre-electoral activity can be detected in Ontario and British Columbia—where the Social Credit (populist, conservative) Government of Mr William Bennett is thought to be vulnerable because the NDP Opposition leader and former premier Mr Dave Barrett, has moderated his style.

There's an old joke in Quebec that election campaigns come once every four years and last four years. The Parti Quebecois (secessionist) provincial Government of Mr Rene Levesque was re-elected in 1981, but already it is under considerable strain. A sharp deterioration in the province's economy in the past two years has left Quebec public finances in disarray. Independent wage contracts with public sector employees—who are among the Parti Quebecois' main supporters—threatened to drive the budget into intolerable deficit.

Union leaders refused the Quebec Government's requests last year to renegotiate the contracts and so it unilaterally imposed 20 per cent wage reductions throughout the service and among teachers and health care workers in the first quarter of



Pierre Trudeau: he enjoys being on the world stage and may not want to step down before his old adversary, Rene Levesque.

this year. There have been strikes and successful challenges of the Government's back-to-work legislation in the courts, and the climate appears to be worsening.

The Parti Quebecois has a more fundamental problem in the decline of public enthusiasm for the secessionist cause. In part, this is due to economic concerns, but it is also an inevitable product of the Government's success in creating an environment in which the French speaking majority in the province no longer feels alienated. For example it has made French the sole official language of the province.

Now there is something of a backlash taking place, with much of the intellectual community opposed, to the occasional petty gestures of the

provincial Government towards Quebec's English language minority.

As at the federal level, the opposition forces in Quebec have not seemed to be able to take advantage of the Government's weaknesses so far. Mr Claude Ryan, the thoughtful Quebec Liberal leader, resigned last year and no leadership convention has yet been held or is in prospect because there is no obvious candidate.

The two names heard most frequently are Mr Robert Bourassa and Mr Raymond Carneau, respectively Premier and Finance Minister in the Liberal government ousted by the Parti Quebecois in 1976. Canadian political parties seem to be having difficulties these days in finding new faces.

Ian Rodger



Rene Levesque: his Parti Quebecois government is under strain.

The consequences of Canada's close links with the U.S. are showing

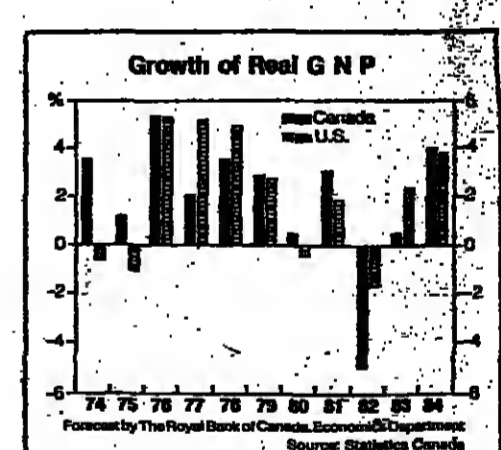
## Economy shaken by fall in industrial production

FOR MOST of the past decade Canada seems to have been the severe adjustments taking place in the other industrialised countries following the sharp increases in world oil prices. The economy, stimulated to varying degrees by successive governments, continued to grow fairly steadily until 1981, although by then it was becoming clear to many that the exchange rate alone could not be expected to go on adjusting for the widening gap between U.S. and Canadian wage and price movements.

Then in mid-1981 the combination of very high U.S. interest rates and the discriminatory effects of the National Energy Programme on foreign owned oil companies caused a huge outflow of investment capital just at a time when the vital U.S. markets for many of Canada's products were weakening. The net outflow of direct investment in 1981 was \$10.5bn compared to an outflow of only \$2.6bn in 1980 and the country's current account deficit jumped from \$3.1bn to \$8.5bn.

## No choice

Canadian authorities had no choice but to follow the U.S. interest rate—with the now familiar drastic effects on business activity, employment and, ultimately, wages and prices. The only difference in the Cana-



dian experience compared to that of other industrialised countries was the speed at which it all happened.

Industrial production has fallen by about a fifth since mid-1981. Corporate profits fell 45 per cent from their peak in the first quarter of 1981 to the third quarter of last year. Employment has dropped by 5 per cent since the summer of 1981 and the unemployment rate has risen from 7.2 per cent to 12.8 per cent. The combined deficits of the federal and 10 provincial governments have soared from an annual rate of \$12.2bn in the fourth quarter of 1981 to an estimated \$24.0bn or more in 1983-84.

The inflation rate remained stubbornly in double figures last year and the federal Government felt obliged to impose a wage restraint programme last autumn of 6 per cent and 5 per cent increases over two years, hoping that other public and private sector employers would follow suit. In the event the decline in business activity has been so drastic that private sector wage increases are unlikely to be as high as 6 per cent and 5 per cent over the 1983-84 period.

The inflation rate has recently dropped to 7.4 per cent and is widely expected to continue falling for at least another year.

"We are now in the virtuous circle," says Mr John Grant, vice-president of Wood Gundy, the leading Canadian stock brokers. "I think Canadians have learned their lesson. There is probably no need to worry about the refashioning case."

The problem now is that business finances are so poor that the recovery is likely to develop very slowly, driven initially mainly by consumer spending.

The unexpectedly rapid decline in demand last year, coupled with the unprecedented high cost of financing stocks, led to a massive destocking process in the latter part of the year. This is now being reversed but underlying real demand is probably not going to improve much this year, if at all.

## ECONOMIC PERFORMANCE IN SUMMARY

	1979	1980	1981	1982	1983	Forecast 1984	1985
<b>CANADA</b>							
Real GNP	6.2	0.5	3.1	-4.8	1.9	2.6	3.7
GNP deflator	10.3	11.0	10.1	10.6	6.5	4.3	4.6
CPI	9.1	10.2	12.5	10.8	6.6	4.3	4.8
Unemployment rate (%)	7.5	7.5	7.6	11.0	12.0	12.4	11.7
Pre-tax profits	32.2	7.4	-10.5	-22.3	32.2	24.1	21.2
Housing starts ('000)	197	159	178	131	152	170	180
Car sales ('000)	1,003	922	904	715	760	801	828
<b>U.S.</b>							
Real GNP	2.3	-0.4	1.9	-1.8	2.2	4.5	4.3
GNP deflator	8.7	9.3	9.4	5.9	4.9	4.7	4.6
CPI	11.3	12.5	10.3	6.2	3.5	4.6	4.8
Unemployment rate (%)	5.9	7.2	7.6	9.7	10.3	9.5	8.5
Pre-tax profit	10.3	-4.0	-4.3	-24.8	13.0	24.0	16.0
Housing starts ('000,000)	1,717	1,298	1,199	1,057	1,500	1,700	1,800
Car sales ('000,000)	10.6	9.0	8.5	8.0	9.0	10.0	10.5

Note: Percent changes at seasonally adjusted annual rates unless otherwise noted.

Source: Wood Gundy.

CONTINUED ON NEXT PAGE

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## CANADA III

U.S.-Canada relations have turned sour, reports Jim Rusk

## Economic nationalism under siege

WHEN MR TRUDEAU brought his Liberal Government back to power in the spring of 1980, he promised Canadians a nationalistic economic policy. The petroleum industry was to be Canadianised, the Foreign Investment Review Agency (FIRA), expanded and industrial strategy to be interventionist and nationalistic.

It was an uncharacteristic position for a Prime Minister who had steadfastly resisted economic nationalism during his first 11 years in office. But in a victorious election in which a key plank had been a defence of the state oil company, Petro-Canada, the nationalist wing of the party had convinced him that this was what Canadians wanted and Canada needed.

Today, after one of the most acrimonious periods in Canada's foreign relations, only one of the planks has not been reduced to kindling wood. While 1980's controversial National Energy Programme has largely been implemented, FIRA has been toned down, and industrial policy has been largely a matter of reshuffling government departments and relabelling old programmes.

## About face

This about face can be attributed partly to world economic recession, which sapped Canadian resolve to do battle on all international economic fronts, but mainly to President Ronald Reagan's aggressive administration in Washington. While European and Japanese leaders travelled to Ottawa to say they were more than upset by the direction that Canadian policy was heading, it was in the Canadian-American arena that the battle was fought and economic nationalism routed. In the three

years between promise and retreat, there was an unprecedented crisis in Canadian-American relations. Mr Allan Gotlieb, Canada's Ambassador to the U.S., complained last month that the well-known phrase about "the world's longest undefended border" might well be the world's longest undefended skirmish line. In fact, bitter skirmishes have been fought in the past few years over acid rain, trade in oil and cars, television broadcasting in border areas, harvesting of rivers which cross the border and even — between New Brunswick and Maine — the delineation of the border itself.

Diplomats on both sides now say that a better management of mutual relations has emerged. As Stephen Clarkson, a University of Toronto political scientist who closely chronicled the last three years, has recently written: "The bilateral relationship has entered a new stage, a period in which conflicts will be seen as normal between two countries that differ on a number of important issues."

In recent weeks, two such conflicts have been in the forefront.

● The U.S. Civil Aeronautics Board refused to sanction low fares offered by Air Canada on the national airline, in a "seat sale" on trans-border flights. Until, in a last-minute compromise, Canada acceded to a U.S. request to give an American airline access to the Canada-Australia market.

● The U.S. Commerce Department turned down a request by U.S. sawmills to impose a 65 per cent tariff on Canada's softwood lumber exports. The U.S. mills had claimed that the Canadian provinces' practice of levying taxes (stampage fees) on timber cut on Crown Lands (effectively all Canadian production) that

varies with lumber prices was unfair to U.S. mills. U.S. stampage fees are set in bids made two to three years before timber is cut.

The case over timber is instructive of the ideological nature of many of the U.S. complaints. Canadian economy is both more mixed and highly regulated than America's and Canada is certain to find itself in conflict at many junctures with a U.S. administration committed to free markets and deregulation.

## Irritated

Americans often become irritated that Canadians (and other allies for that matter) do not always share these commitments. And it irks Canadians that Americans should even expect approaches to problems to coincide.

While the relationship between the two countries may have improved in the last year, there are a number of important unresolved issues. (The most important is acid rain. Canada is determined to get the U.S. to reduce the volume of sulphur dioxide pumped into the atmos-

phere by industries in the mid-West and which falls on Canada in the form of acidic precipitation that is destroying a large number of Canadian lakes.

Canada has not found as much support for its case in the U.S. administration as it would like, and so has resorted also to lobbying Congressmen from constituencies affected by acid rain. This is a relatively new tactic for advancing Canadian interests in Washington but one which is likely to be used more frequently now that Congress is taking an increasingly independent line on many issues.

On the U.S. side, energy matters are still high on the agenda with the U.S. pressing Canada to reduce its natural gas export price, which is linked by formula to oil prices, and with U.S. companies looking for ways to legally challenge the provision of the National Energy Programme that allows the Canadian state oil company to take a 25 per cent stake in hydrocarbon finds without full compensation of the exploration costs.

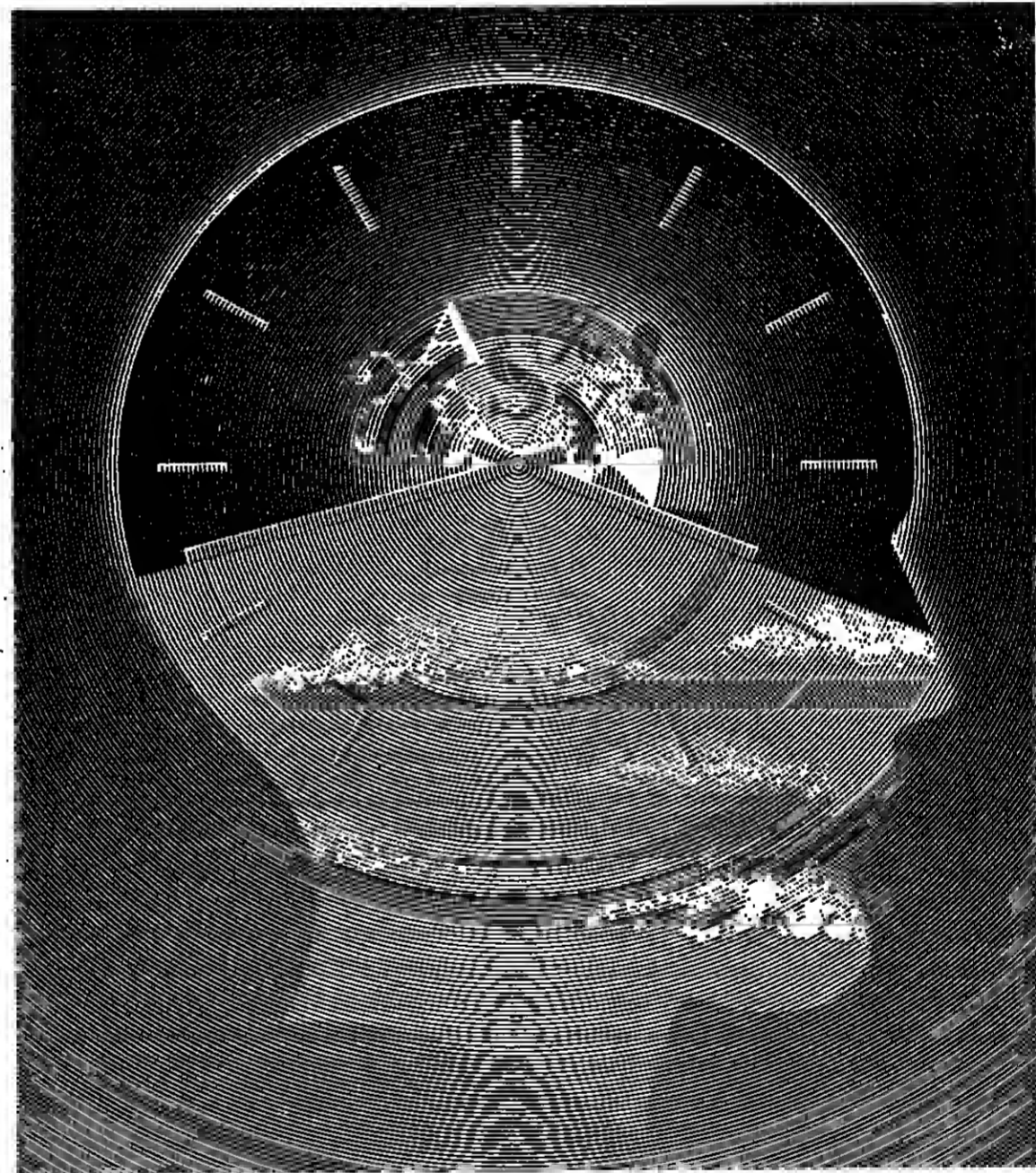
The result of the past three years is that Canadian poli-



ticians and diplomats have become much more ready to aggressively defend Canadian interests whenever they feel threatened. And it is not only the U.S. that has been at the receiving end of this new atti-

tude. The European Community encountered it recently when Canada imposed a reduction in cod quotas in retaliation for what was perceived as an unacceptable European performance under a fishing agree-

ment and European clamour in banning the import of seal pup pelts. Japan felt it last year when the clearance of cars through Canadian customs was held up in the face of Japan's reluctance to continue restraint on exports. While Mr Trudeau may have failed to create a new Canadian economic nationalism, at the very least he appears to have reinvigorated the old one.



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Above: artificial island for recovering oil in a shallow area of the Beaufort Sea. Below: moving logs downstream to the lumber mill.



## Industry decline shakes economy

CONTINUED FROM PREVIOUS PAGE

"The importance of consumer confidence cannot be overstressed at this juncture, since with further disposable income declines expected this year growth in consumption in 1983 can come only from changes in savings behaviour," he said last month.

Economists are also counting on a recovery in the housing market gathering pace now that interest rates are down to reasonable levels. Housing starts are running at an annual rate of 160,000 compared to 120,000 last year. This rate required to meet demographic trends is about 200,000.

One of the surprises of the recent recession has been the relative strength of Canada's merchandise exports, which have remained fairly stable in real terms since 1980. However, the value of imports dropped by 10 per cent last year because of the weak home economy.

Canada is a net importer of about 55 per cent of its industrial machinery. The result is that the current account moved into a surplus last year of C\$2.7bn for the first time since 1973 and is expected to remain in surplus at least through this year until growth resumes in the business sector.

The surplus plus the lack of capital spending by business means that the inevitable large Government deficits this year should be handled comfortably without putting pressure on the exchange rate or crowding out other borrowers. The Bank of Canada is clearly trying to lower interest rates as much as

possible without upsetting the exchange rate and it is possible that Canadian rates could even dip below U.S. rates at some point.

No one doubts that Government deficits will rise again in the current fiscal year, partly because of the need to increase spending on welfare benefits and partly because revenues from the oil and business sectors will be weaker. The federal Finance Minister, Mr Marc Lalonde, has said he also hopes the federal budget, due later this month, "will stimulate the economy, help with the creation of jobs and speed the recovery."

The combined deficit of the federal and 10 provincial Governments end up at about 10 per cent of Gross National Product (GNP), certainly not a dangerous level, but equally not one that leaves the Governments much room to provide stimulus.

Forecasters have been revising their figures upwards in recent weeks because of the heartening news of U.S. recovery. Canada depends on exports for about a third of its GNP and 70 per cent of its exports go to the U.S. The current range of predictions shows GNP growing anywhere up to 2.9 per cent, inflation falling to under 6 per cent and pre-tax profits recovering up to 45 per cent.

But the mood in the country and the often conflicting signals coming from the U.S. suggests that the more modest growth forecasts — of say 2 per cent on GNP — are the most plausible, although the inflation rate could well decline faster than forecast.

Ian Rodger

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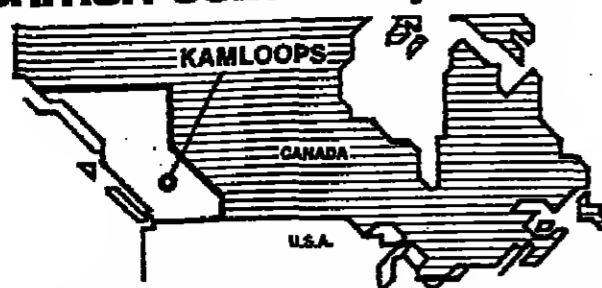
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Large loan losses hit profits, says Nicholas Hirst

## Banking sector burns its fingers

CANADA'S FINANCIAL community is recovering from one of the most difficult periods in its history. The Canadian banks, three of which are among the ten largest in North America, have suffered huge recession-induced loan losses in the past year. Then the image of the staid, conservative C860bn trust and loan industry was hurt in January when the Ontario government took control of the assets of three companies to protect depositors' interests. Thirdly, during much of 1982 the stock market suffered from low volume and falling prices. But following the trend set by the New York exchanges, Canadian markets have moved sharply ahead, anticipating the end of the deepest difficulties since the 1929-45 world war. The worst now seems to be over. "I suppose I could say we went through fire," said Mr Russell Harrison, chairman of the Canadian Imperial Bank of Commerce. "But when the smoke all cleared, we didn't do too badly."

### Sudden halt

Several years of strong growth for the banks came to a sudden halt in 1982. As interest rates soared, many corporate clients found themselves unable to meet payments. Loan losses for the big five in the 12 months to October 31 rose 166 per cent to C\$2.2bn. Non-productive loans, on which interest had not been paid for a period of 90 days or more, rose even more sharply from C\$1.5bn to C\$3.1bn.

The losses were manageable. All the big five made profits in 1982 and two, the Toronto Dominion and the Bank of Nova Scotia, reported modest increases in earnings. It was the Canadian banks' exposure to very large single loans which threatened to damage their international reputation. "If there was one thing that concerned me, it was having too many eggs in one basket," Mr Harrison said.

The most spectacular example which received the most attention, was the C\$4bn of loans from Canadian banks outstanding to Dome Petroleum. Dome had aggressively fol-

lowed the Canadianisation policies of the National Energy Programme using debt to finance its two-stage acquisition of the American-controlled Hudson's Bay Oil and Gas. When it proved unable to meet repayments on schedule it was forced to negotiate a rescheduling and capital injection package with the banks and the federal government.

The banks have reiterated again and again that the rescue in no way constitutes a "bail out" of the banks themselves. "The fact is that Canadian bank loans to Dome were largely secured by quality assets which we believe—and still believe—constituted an effective security and protection for our position," Mr Harrison told a Financial Times world banking conference.

But neither the Canadian banks themselves, nor the regulatory authorities, want such large exposure to single loans to occur again. Last month Mr William Keene, the Inspector General of Banks, sent out the first discussion paper on capital adequacy which is expected to result in the issuing of general guidelines. Many banks have tightened their internal guidelines. The CIBC, for example, now limits exposure to any single loan to 15 per cent of its capital and reserves.

In a sense the large-scale loans are the least of the banks' problems. The volume of bad debts is in the myriad of small loans made across the board of banking business. The recession has faced many bankers with the kind of conditions they have never experienced before. A search for growth has given way to a desire for prudence. All the banks now have special teams working out problem loans, and high-level lending decisions—which to some extent had been decentralised—are now being taken at head office.

Costs are being pared back, bureaucracies clipped and branch networks rationalised. Falling interest rates and reduced costs helped push bank profits up sharply in their first quarter. Loan losses continued to rise, but analysts expect that as interest rates continue to fall, non-productive loans will decrease. Bankers are already

finding that corporate customers are dropping standby lines of credit and replacing bank loans with borrowing in capital markets.

While the banks' problems resulted from the general recession, the Ontario government's decision to seize the assets of three trust companies, Crown Trust, the time 12th largest in the industry, Greyhmac Trust and Seaway Trust, was a result of concerns that mortgages had been advanced without adequate security on a series of specific property transactions.

The Ontario government subsequently passed legislation to sell most of the assets of Crown Trust to the large Nova Scotia-based Central Trust. Investigations continue, but the industry seems to have emerged unscathed. Shares of trust and loan companies on the Toronto stock exchange have risen sharply during the year.

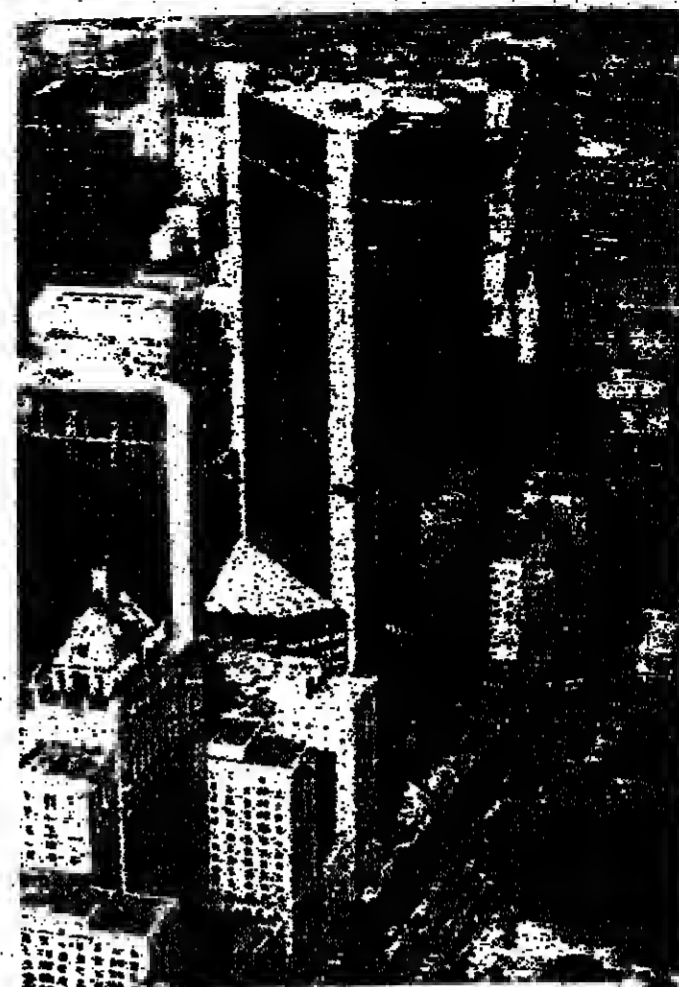
### Legislation

Legislation on the industry is being prepared by both the federal and Ontario governments. The federal legislation is intended to make the trust and loan companies more like banks. Originally set up in the 19th century to administer the estates of the wealthy, trust companies grew into deposit-taking institutions whose main business was in residential mortgages. The decline in the housing market pushed the companies more and more into commercial development.

The federal legislation takes into account the changes in the industry's business and is largely uncontroversial. But a fight is expected over a suggestion in a discussion paper to limit to 10 per cent any single shareholding in any one company, bringing the trust and loan companies in line with similar legislation on Canadian banks.

Most of the companies, with the notable exception of Canada Trust, one of the big 10, have large controlling shareholders. The industry argues that a change in ownership would not benefit prudent management and could produce damaging upheaval.

The unfavourable publicity



The Royal Bank of Canada building in Toronto. Several years of strong growth for banks came to a sudden halt in 1982.

surrounding the trust companies has not been powerful enough to outweigh the positive impact of lower interest rates. So far this year, the trust company shares have been among the star performers of a very lively stock market.

The two main concerns in the investment community recently have been the changeover to negotiated commissions—which happens this week in Toronto and Montreal—and the row between Ontario's regulatory authorities and Quebec's public pension fund management agency, the Caisse de Depot et Placement.

The Caisse ran foul of the Ontario Securities Commission nearly two years ago when it got together with another Quebec Government agency to buy a 42 per cent stake in Domtar, the large forest products group.

OSC regulations require disclosure of holdings when they exceed 5 per cent and that offers be made to minority shareholders when holdings exceed 20 per cent. The Caisse

obeyed neither rule and argued it was not subject to Ontario jurisdiction.

The OSC held hearings on the matter last summer and concluded in October that the Caisse was in breach of the regulations and would not be allowed to buy or sell shares in Ontario.

The Caisse, which is by far the largest investing institution in the country with about \$16bn in assets and \$3bn in equities, has agreed to discontinue its holding in any company when it surpasses 5 per cent but otherwise remains unrepentant.

As for negotiated commissions, brokers generally believe that this innovation will have effects similar to those experienced in New York since 1978. Commissions for institutional investors are expected to drop by a quarter to a third, and retail commissions to remain largely unchanged.

As long as the recent buoyant volumes hold up, there should be lots of business for most brokers.

## Changes clip FIRA's wings

ALTHOUGH Mr Trudeau promised during the 1980 election campaign to expand the powers of the Foreign Investment Review Agency, a number of changes in the last year have actually clipped its wings. The agency screens foreign direct investment in Canada and can advise the cabinet to forbid takeovers and new ventures not thought to bring significant benefit to Canada.

Starting with last June's budget and through the summer, the agency's rules were changed. The thresholds for transactions qualifying for a small-business exemption that allows applicants to use a simpler form and to face an accelerated review, were widened.

For new investment and the direct acquisition of a Canadian-controlled business, the threshold was raised to C\$5m in assets and 200 employees from C\$2m in assets and 100 employees.

Where a foreign-controlled Canadian company is acquired in the course of acquisition of its parent or other foreign-controlled company, the threshold for small business review is now C\$15m in assets and 600 employees. However, the provision that allows the Minister to ask for a long review if the acquisition or investment raises important policy questions was unchanged.

During the summer, the agency for the first time also issued interpretation notes for the guidance of applicants so that they would more clearly understand certain provisions of the Act which have been particularly difficult to interpret.

### Foreign-based

The notes cover such matters as the acquisition of businesses that have ceased operation and the performance in Canada of single or isolated contract projects by foreign-based businesses. And the agency undertook for the first time to provide before reviewing a case written rulings as to whether a transaction was reviewable under the Foreign Investment Review Act.

Important personnel changes came last autumn. The long-term head of the agency, Mr Gorse Howarth, who had earned a reputation in the business community as an expert player of bureaucratic games, was replaced by

Mr Robert Richardson, a fast-rising young civil servant with a knack for the efficient cutting of red tape.

And, more importantly, the Minister responsible for FIRA, Mr Herbert Gray, the leading economic nationalist in Mr Trudeau's Cabinet, was eased out in favour of Mr Edward Lunney, a pro-business Minister.

The result has been a considerable improvement in the agency's performance. Mr Lunney has cleaned up the backlog of applications with which the slow and cautious Mr Gray had burdened him and in early March FIRA reported a backlog of only 117 cases, compared with 324 a year earlier. And, from July 1 when the new rules came into effect to early March 727 cases were disposed of compared with 433 in a similar period a year earlier.

### Objections

However, not all foreign objections to FIRA have been met. Probably the most annoying element is the one requiring approval of the takeover of a Canadian company whose control changes incidentally to a foreign transaction. For example, Pilkington Brothers of the UK bought a major stake last year in the U.S. glassmaker, Libbey Owens Ford. Since LOF has a Canadian subsidiary, FIRA reserves the right to approve the transfer of its control, even though it might go from one foreign group to another.

While some foreign businessmen find this merely an annoyance, some deals have been abandoned because of it. Mr James Robb of the Montreal law firm of Stikeman, Elliott, one of solicitors most experienced in dealing with FIRA, says he knows of three U.S. acquisitions in the last year that were aborted because of this high cost of getting FIRA approval for a change in control of a major Canadian subsidiary.

Mr Robb puts the paperwork and legal costs of such cases at about C\$200,000. The other unresolved issue is whether FIRA's requirements that new foreign-controlled businesses in Canada must engage in certain trade activities or must purchase inputs in Canada, violates the General Agreement on Tariffs and Trade. A GATT panel is now considering these rules in a case brought by the United States.

Jim Rusk

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CANADA V

The slump in demand for energy has put many calculations in disarray

# Oil self-sufficiency target in doubt

THE SLUMP in demand for energy during the recession and the recent decline in world oil prices have left Canada's vital energy sector in disarray. Several large oil and hydro-electric projects have been cancelled, postponed or scaled down in the past year and the controversial National Energy Programme (NEP), announced 2½ years ago, is being undermined.

The NEP objective of reaching oil self-sufficiency by 1990 is looking increasingly difficult to achieve unless consumption—and therefore imports—remain depressed. Because of depressed demand last year, the country, to its surprise, produced about 46,000 more barrels per day of oil than it consumed. Consumption fell 10.6 per cent in 1982 after a 6.3 per cent fall in 1981.

Still, there was a trade deficit on oil because of the traditional practice of exporting surplus heavy oil from the west to the U.S. and importing light oil to help supply eastern markets. However, the deficit declined from C\$3.8bn in 1981 to C\$750m last year, and because of continuing large exports of gas and electricity to the U.S., Canada now has a surplus of C\$5.3bn on total energy trade to C\$6.3bn.

The roots of Canada's energy problems today lie in the early 1970s when various groups sought to take advantage of the world oil crisis. Consumers and

politicians representing non-oil producing provinces—led by Ontario—argued for maintaining low prices in the home market, partly to reduce inflation and partly to help industry. Oil companies and oil-rich provinces, led by Alberta, argued for higher prices, partly to stimulate more exploration. They wanted that Canada's conventional oil reserves in easily accessible basins were running out, a fact which came as a shock to most Canadians, led to a loss of public confidence in the multinational oil companies, and growing pressure for bigger Canadian ownership in the oil and gas industry. In the early 1970s the industry was over 80 per cent foreign-controlled.

**Debate**

After lengthy and bitter national debate an attempt was made to resolve these issues in the National Energy Programme announced in October 1980. It set out three main goals—self-sufficiency in oil by 1990, 50 per cent Canadian ownership by 1990 and fairness in pricing and distribution of industry revenues. The latter goal was clarified in an agreement between Alberta and the federal Government a year later on revenue sharing that involved a significant increase in the federal take with a forecast that world oil prices rise to 75 per cent

of world prices and then remain there.

To achieve the self-sufficiency and Canadian ownership goals, the programme provided incentives for exploration—but only for Canadian-owned companies. They could deduct up to 80 per cent of exploration spending from their taxes, while foreign-owned companies could deduct only 25 per cent.

The effects of the NEP on overall exploration and development activity were much more negative than expected, partly because at the time it came into force the decline in oil consumption was already beginning to hit cash flows. Well completions in Western Canada have fallen from a record 8,338 in 1980 to a forecast 5,200 this year. Major projects involving multinational companies, such as the Alameda synthetic oil extraction project and the Cold Lake heavy oil extraction project, together worth C\$500m, were cancelled.

By early 1982 both the federal and the Alberta Governments felt obliged to cut their tax and royalty takes.

On the Canadian ownership front progress has been rapid, since many foreign-owned companies decided it was not worth carrying on. More than C\$7bn has flowed out of the country to finance the purchase by Canadian groups of foreign-owned oil companies since the

NEP was set up and Canadian ownership in the sector is rapidly approaching 40 per cent.

As an example of the impact of the NEP on a multinational, Gulf Oil's 60 per cent owned Canadian subsidiary has seen a dramatic shift in its fortunes in the past two years. While revenues have grown by a quarter, taxes are up by half and earnings down by a half.

The company, which has major land holdings in Canada's most promising frontier areas, is hanging on in the hope that the NEP will be modified. "But we can't afford royalties and taxes and develop anything at \$25 a barrel," says chairman Mr J. C. Phillips.

Since the decline of world oil prices early this year pressure on the pricing formula has become intolerable. It was based on the assumption that world prices would rise steadily over the medium term. However, as a result of the fall of world prices, the Canadian price has already gone above 80 per cent of world price.

**Shortfall**

The amounts of money involved are huge. One economist has estimated that the federal Government's shortfall on anticipated tax revenue from the oil industry this year could be as high as C\$3.4bn even if the world price holds or near \$29 per barrel. The total federal deficit is expected to be



A geologist sampling and mapping coal seams in north-eastern British Columbia. More than a third of Canada's coal production last year was exported.

this agreement as a model in negotiations with other provinces. The Nova Scotia agreement has paved the way for development of gas fields found around Sable Island and federal officials expect them to be in production in 1986. Provided agreement is reached with Newfoundland, oil could be emerging from the Hibernia field in 1988.

While the NEP concentrated on oil and gas—and primarily on oil—developments in other energy sources have continued with less fuss. Hydro-Quebec last month signed an agreement to export more than U.S.\$1bn of electricity to 64 New England utilities.

By the end of the year the first coal will be delivered from a new mine development in north-eastern British Columbia. At a cost of Cans\$2.5bn two mines are being developed to export to Japanese buyers 8m tonnes of coal a year on a 15-year contract with a five-year renewal. The cost includes building a railway spur line, a new town, upgrading track and the construction of a 12,000-tonnes-a-year coal handling dock at Prince Rupert on the west coast. Rumours that the Japanese might not, in the end, take all the coal they have contracted for have been denied by the mine operators, Denison Mines and Teck Corporation although the deliveries from the new project will probably result in reductions of sales by other British Columbia mines.

Total coal production in Canada last year was a record 42.8m tonnes with 16m going for export. Most of the export was of metallurgical coal. The future lies in exports of thermal coal from the vast resources in Alberta.

Nicholas Hirst/  
Ian Rodger

## Industry trying to weather recession

THE MOST prominent theme in Canadian industrial circles these days is what businessmen call "balancing the books". A nice phrase that conveys both the nature of the problem and a confidence that it will be solved. But the repair job is probably going to be long and difficult.

Canada's basic industries are of two main types—the resource-based, export-dependent ones such as pulp and paper and metal mining, and the general manufacturing industries. With the exception of the motor industry, which is integrated with its U.S. counterpart, they rely on a steady flow of big resource-development projects for their prosperity.

Late in 1981, both the resource development and export markets turned sour simultaneously, sending the industry into its worst tailspin since the 1930s.

Manufacturing output was down about 15 per cent and corporate pre-tax profits plunged by a third after a fall of more than 10.5 per cent in 1981. The debt-equity ratio of industrial corporations soared from 1.25:1 to over 1.5:1 last year.

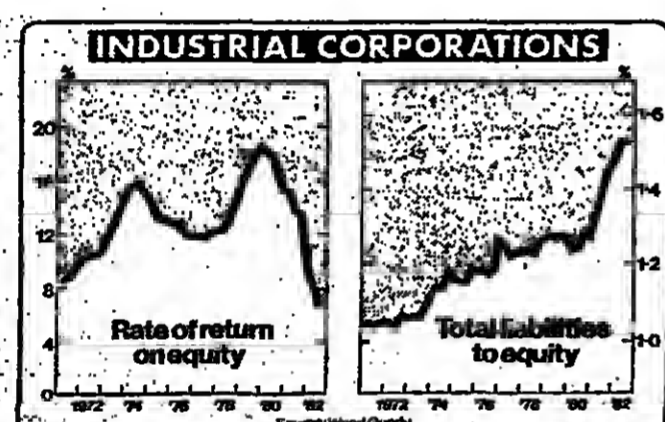
Among the leading export industries, the value of metal mining output dropped from \$8.7bn in 1981 to \$7.6bn last year, and more than half the industry's 130,000 workforce was idle. Among the sectors hardest hit are nickel, where production was down 45 per cent to 88.7m kg; iron ore, down 30 per cent to 34.5m tonnes; and copper, down 12 per cent to 606.2m kg.

Industry spokesmen remain gloomy about the outlook for metal mines this year despite the recent improvement in prices, notably copper. Mr Tex Enemark, president of the Mining Association of British Columbia, says: "The metal industry is still some distance from any sort of breakeven position."

One prominent exception to this gloom is the aluminium sector where the world leader, Alcan Aluminium, is forecasting a return to profitability later this year. Alcan suffered a \$68m loss last year although, unlike most aluminium producers in the world, it maintained its operating rate at a very high level.

Mr David Culver, president, says there has been a strong upturn in world demand and prices for aluminium in recent months, although he was uncertain about its sustaining power.

Because of the availability of low-cost power in Quebec, the aluminium sector is one of the few in the country that is expanding. Reynolds Aluminium is doubling the size of its smelter at Basé, Comau and negotiations are continuing on



a proposed \$1.5bn smelter project at Becancour to be owned by Pechiney Ugine Kuhlmann of France and possibly, as a minority partner, the Quebec Government.

The paper and forest industry has been having a very difficult time. Last year, markets for newsprint were so weak that the list price of newsprint was cut for the first time since 1964. Three newsprint machines were closed permanently, reducing Canadian capacity from 10.5m short tons to 10.2m tons.

**Doubts**

Lumber markets too continued their decline for the fourth consecutive year and prices reached a low last September of U.S.\$130 per thousand board feet from \$240 in July 1979. Pulp and paper shipments were down 10 per cent last year to 18.2m tons.

There are few signs of recovery as yet in the forest industries, except in the lumber sector. Canada exports about two thirds of its lumber to the U.S. market.

The Canadian Pulp and Paper Association is forecasting that pulp and paper shipments will increase by 7 per cent to 19.4m tons, but that would still be well below the 1980 level and leave companies operating at an average of only 83 per cent of their capacity.

"This year will be a year of very low earnings mixed with more losses for a number of companies," Mr Howard Hart, president of the CPPA, said recently.

Because of the integration of the U.S. and Canadian motor industries, this sector has long been one of the most important components in Canadian trade. Like its U.S. counterpart, the Canadian industry has been deeply depressed by the recession and the big penetration of imports from Japan. In 1977, a total of 1.77m vehicles were produced in Canada, but last year only 1.27m were made, a decline of 38 per cent in five years. Japanese producers now have a 30 per cent share of the Canadian market.

The motor sector has been chronically in deficit but last year this trend was sharply reversed because of the increase in demand for larger cars—many of which are made at Canadian factories—in the U.S. So far this year, the Canadian factories are making significant progress. Up to March 19, car and truck production was up 17 per cent.

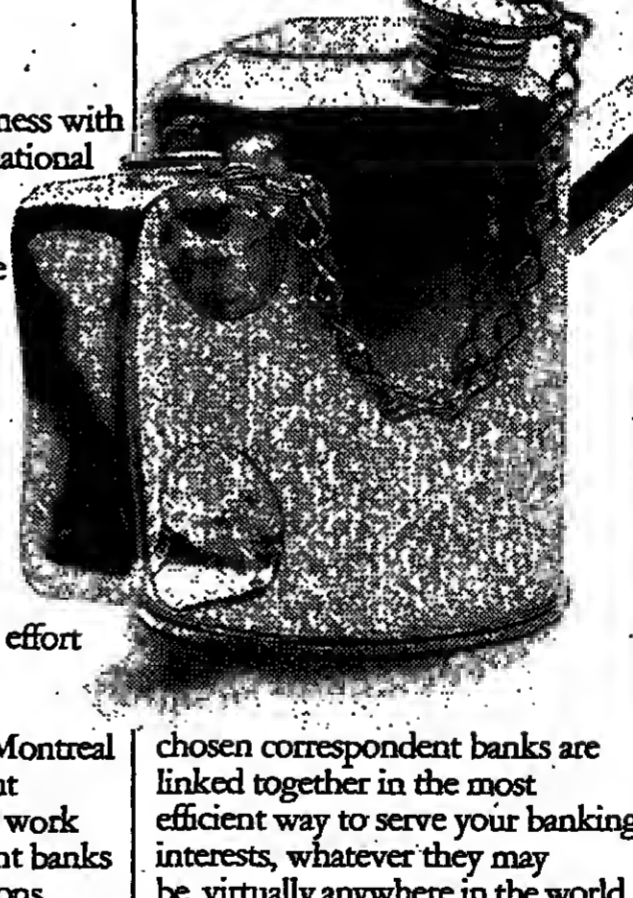
The chemical industry, which has enjoyed a dramatic expansion in the past decade as the country has tried to build an export orientated sector on the strength of low-cost domestic feedstocks, suffered a 10 per cent reduction in output last year and the main producers' profits were off 54 per cent in the first nine months. Du Pont Canada, CIL and Union Carbide Canada all had their credit ratings cut by a Canadian bond ratings agency last December.

Other industries have been affected by the dramatic reduction in capital spending in the country in the past two years. A few large resource projects, such as the Alaska gas pipeline, the Alameda synthetic oil plant and the Cold Lake heavy oil project, have been cancelled, and others, such as the second stage of Hydro-Quebec's James Bay hydro-electric development in Quebec, have been postponed indefinitely.

Business non-residential fixed investment in Canada peaked in 1981 at \$22.1bn but it fell 11.5 per cent last year in current dollars and is expected to show another significant drop next year.

One of the industries most affected by this downturn is the steel industry. The Canadian steel industry has the reputation of being among the most efficient in the world, but it was powerless last year against the downturn in demand—and weakening of prices throughout the industrialised world. Production fell from a peak in 1980 of 16m tonnes to only 13m tonnes last year. Domestic shipments were down 50 per cent to 7.6m tonnes.

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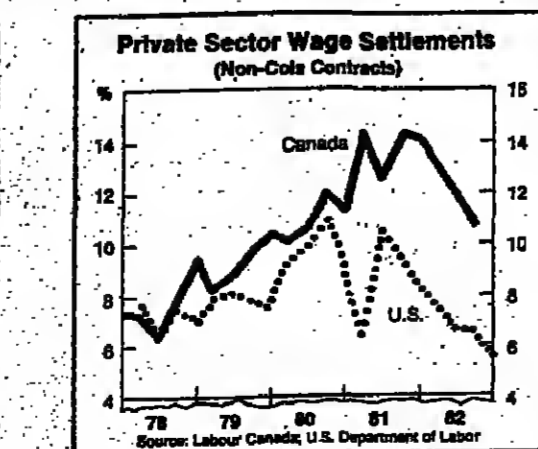
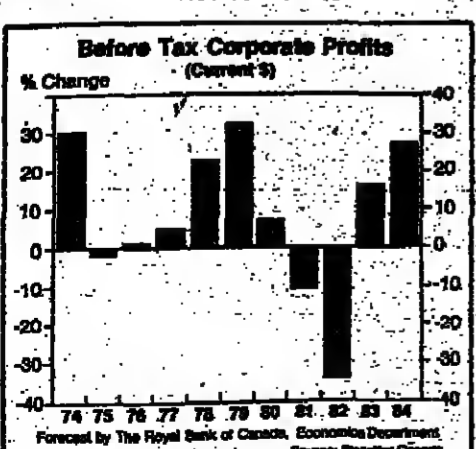
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Province of British Columbia, Canada  
Ministry of Industry and Small Business Development  
The Honourable Don Phillips, Minister

## CANADA VI

Computer trade deficit may pass \$5bn by 1985

High technology role  
remains uncertain

THE CANADIAN Government has come to view Canada's role in the information age with a concern bordering on urgency. But with a small population spread over a wide territory, the policy makers in Ottawa also realise the country will have to pick its route carefully in making the transition to a full participant in the global technology sweepstakes.

Already Canada has developed a world-leading telecommunications infrastructure. It was largely in response to the need for Canadians to communicate in a cost-effective manner across its vast open spaces that its telecommunications companies developed.

These include Northern Telecom of Montreal and Mitec Corp. of Kanata, Ont., both of which have become world-class competitors. They and a new generation of specialised communications companies like Canadit Data of Ottawa and Develcon Electronics of Saskatoon have learned the essential lesson involved in being a Canadian technology company—the domestic market is too small and world markets must be exploited.

Canada's relative strength in telecommunications has been offset by a virtual absence of participants in the large-scale computer industry. Almost every major American computer mainframe company has a subsidiary in Toronto. As a result Canada has racked up an annual trade imbalance in computers and office automation products which passed C\$2bn in 1982 and is projected to reach C\$5bn by 1985.

Such figures have prompted Government action on a number of fronts, much of which is starting to bear fruit this year. At the federal level the Department of Communications has initiated a multi-million dollar office communications systems programme to develop Canadian expertise in the so-called Office

of the Future. In the private sector a consortium called Office Communications Research Associates (OCRA) has sprung up to develop products for the same market. That consortium draws upon Canadit, Systemhouse of Ottawa and CNCF Telecommunications, the telecommunications carrier which offers an alternative to the telephone companies.

Telidon, Canada's videotex and teletext system, has become—to the media anyway—the symbol of Canada's participation in the Information Age. The Government has already spent more than C\$40m on developing and marketing the technology. It had hoped by last month to let the private sector carry the ball but because of the difficult economic times the cabinet recently gave the programme an additional injection of C\$23m over two years.

## Field trial

Telidon has yet to become a mass consumer phenomenon in Canada, and the videotex market has become far more developed in the U.S. The future of the technology in Canada could well hinge on the Vista field trial being conducted by the country's largest telephone company, Bell Canada of Montreal. That trial ends in September and Bell has yet to decide whether to introduce a videotex service which would be paid for by consumers.

The most visible sign of Telidon in Canada is a tourist information programme supplied to hotels and tourist spots in Toronto. The Teleguide programme is being administered by Infomart of Toronto. Infomart is Canada's leading electronics publishing company, set up by Torstar Corporation and Southern, two Toronto-based publishing companies.

Teleguide is in part supported by Ontario's Government, which has made technology a major priority through its Board of Industrial

Leadership and Development (BILD) initiative.

As a result of the C\$125m BILD programme, which was first announced early in 1981, Ontario set up a network of technology centres designed to nurture specialised technology industries in a number of smaller urban centres. The last of these centres opened last February. They include a robotics centre in Peterborough, a computer-aided design and manufacturing centre in Cambridge, Ontario, a food processing plant in Chatham, Ontario, a microelectronics centre in Ottawa and a resource machinery centre in Sudbury.

The thrust of the centres is two-fold. On the user side the province wants to increase awareness in its sagging manufacturing sector of the productivity enhancing capabilities of the new technology. In addition to promoting use of new technologies it also wants to nurture the development of an industry creating such products.

On a smaller scale the Federal Government is implementing microelectronics centres across the country. A taken C\$10m has been allocated to set up such centres near universities in each province. Seven are now operational. But despite the microelectronics rhetoric, since the demise of Microsystems International of Ottawa in 1976 Canada can boast no real general purpose manufacturer of a broad line of silicon chips. Mitec and Northern Telecom do produce some for their own use and Linear Technologies of Burlington, Ontario, has a capability in analogue chips for hearing aids and the like. But the Canadian microelectronics industry, such as it is, primarily builds products with chips imported from the U.S. or Japan.

With the increased trend to international trade protectionism a debate has arisen as to the wisdom of continuing such a practice. There are some who believe that the important



Working on a PW100 series turbo-prop engine at Pratt and Whitney Canada. Though the microchip offers one way to high-tech leadership, Canada's skills in aircraft and engine manufacture have long been world class.

thing is to develop a chip-using capability, while others warn that a worldwide chip shortage could develop by 1986, leaving Canada in the cold.

The Science Council of Canada, whose input is provided to a number of policy makers, released a report in March 1982 entitled "Planning for an Information Society: Tomorrow is Too Late."

The report breathlessly informed those that did not already know it that by comparison to Japan or France, for example—Canada was in danger of becoming a technological have-not country. Without a three-pronged coordination of government, industry and universities, it warned, Canada could emerge purely as the perennial hewer of wood and drawer of water.

## Alberta venture

It now seems only a matter of time before the Council's recommendations are put into action. The most likely area of the country appears to be oil-rich Alberta, which has started to view technology as a natural area in which to diversify. Late in March work was in progress to bring together a joint venture of Canadian companies to build chips geared to some 40 Calgary technology companies that build oil technology products. The venture, if it gets off the ground, would develop specialised or custom chips for the

energy and related industries and for world markets. While the Alberta technology community lives off the energy industry, the most notable cluster of technology firms is in Ottawa. Dubbed by the local press Silicon Valley North, the industry was created largely by spin-offs from Bell Northern Research of Ottawa, the research arm of Bell Canada and Northern Telecom. Contracts from government, bureaucracy in the city still are the mainstay of the local industry.

Silicon Valley North is a misnomer, used to describe general communications companies, laser companies and others. Despite great publicity in the last few years, Valley is not large when compared with some of its U.S. counterparts. Most Canadian electronics companies have annual sales of less than C\$1m, and eight leading companies account for half of all these sales.

The Ottawa technology private sector recently set up a task force urging government not to dissipate precious technology resources. "We cannot afford the luxury of dispersing existing high technology industries to solve problems of regional disparity," it said. The Government has not yet responded. Smaller technology pockets exist in Vancouver and Montreal. Two world-class word processing companies operate out of Montreal—AES Data and Microm Computer.

Jonathan Chevreau

The federal government is looking urgently at how the economy must change

## Warning flags out in gold share boom

GOLD MINING helped pull Canada through the Great Depression of the 1930s and gold mining seems destined to help the country out of the deepest recession since then.

New gold discoveries at various points across Canada and a revival of interest in long-established areas have created the biggest speculative boom on Canada's stock exchanges since the 1960s.

Trading volume on the four Canadian exchanges—Toronto, Vancouver, Montreal and Alberta—reached a record high in January and the value of trading was the highest in more than two years.

This surge in share prices has come despite the continuing depression and uncertain outlook in Canada's vital mining industry. The value of metal mining output last year dropped from \$8.7bn to \$7bn and little recovery is expected this year. More than half the industry's 130,000 labour force is idle.

The pace on the stock markets slowed during February but was still at a blistering gait. For the first two months of the year, 13bn shares valued at \$6.9bn changed hands, an increase of 231 per cent in volume from a year ago and a gain of 136 per cent in value.

## Earnings

Buying some Canadian gold stocks at today's prices seems like paying a premium for a sausage roll. Rarely have so many stock buyers been willing to pay so much for so little. The price-earnings multiple for the 300 stocks in the Toronto Stock Exchange's composite index reached 25 in March, the highest since the exchange began calculating such multiples 27 years ago. Most of the push on prices—and little of the earnings—is coming from the mining shares.

The touch of madness in the air is evident from the action in the shares of Breakwater Resources, which traded at \$6 a share when first listed in Toronto in mid-February and sold at high as \$17 less than four weeks later. The price exploded when the company reported an unusually high gold assay from a drill hole on its property in the State of Washington, just south of the Canadian border.

Breakwater says it hasn't calculated ore reserves yet but nevertheless anticipates production at the rate of 1,000 tons of ore daily.

The greatest excitement has been generated by gold discoveries in the Hemlo area of Northwestern Ontario, 200 miles west of Thunder Bay. Hemlo seems certain to become a major gold camp by the mid-1980s, with at least three, possibly four, mines in operation within a couple of years.

Although the discoveries were made by junior exploration companies listed on the Vancouver Exchange—International Corona Resources, Golden

Sceptre Resources and Goliath Gold Mines—they are being financed to production by three long-established, successful mining companies—Noranda Mines, Teck Corp and Lac Minerals.

Exploration and development of the properties has yet to fully outline the potential but senior mining officials estimate the known Hemlo deposits contain at least 15m tons of ore averaging just under one-third of an ounce of gold per ton for a gross content of about 43m ounces of gold worth about U.S.\$1.5bn based on gold at U.S.\$400 an ounce.

Hemlo is no moose pasture. It is not a rush for fool's gold. Unlike most Canadian gold mines, it's not in an almost inaccessible place. The camp sits beside the Trans-Canada Highway little more than a half-hour motor car ride east of the pulp and paper town of Marathon.

All one has to do is don snowshoes and walk a mile or so into the hush to the treasure trove that was overlooked when the area was first prospected nearly 100 years ago and which has been poked at intermittently since.

As is also usually the case, the excitement generated by the price of the junior stocks far beyond their intrinsic worth. International Corona shares have been as high as \$13 a share this year, up from \$4 at the beginning of the year, but far below the \$120 a share at which it traded before the shares were consolidated on a one-new-for

four-old basis last year. At \$13, the market capitalisation was \$45m.

Golden Sceptre has been as high as \$23, compared with a low of 49 cents last year and recently was trading at \$15. Goliath soared from a 1982 low of 45 cents to \$25 and now is trading around \$14.

Toronto stockbroker Midland Doherty continues to regard Goliath and Golden Sceptre as excellent speculative vehicles for gold exposure, even though their properties are two years away from production and it will be probably five years before these companies show a positive cash flow.

It adds that it believes real value has been added to the shares of established mining companies Noranda, Teck and Lac Minerals through their participation in Hemlo.

## Speculative

With the exception of these companies, says Midland, the properties of the 100 other companies with land surrounding the deposits are unevaluated. They are definitely speculative ventures and individuals participating in them should be cognizant of the risks involved and the volatility of gold prices.

Many brokers are beginning to wave warning flags. Pitfield Mackay Ross is sceptical of the widespread speculation exemplified by people overseas seeking the names of penny gold stocks to buy immediately. Pitfield adds that although some mines can be held for further gains, speculators should nail

down profits in those stocks that have run up in "flagpole" fashion.

And others say that while the chances of more companies coming up with interesting results are far from slim in previous mining booms, they warn that "there are going to be a hell of a lot" of companies that will find nothing. For anyone considering taking a flyer in the market, the rule should be "Caveat emptor."

Yet analyst John Lydall of First Marathon Securities believes 1983 will be a vintage year for Canadian gold producers.

He bases his belief on the fact that established gold producers such as Dome Mines are expanding operations, new producers are becoming increasingly profitable and major new mine developments are under way.

And there has been increasing Canadian institutional interest in gold shares, which has resulted in a significant shortage of institutional-quality gold stocks.

He believes the major established producers such as Dome, Campbell Red Lake Mines, Lac Minerals and Lake Shore Mines are buys for longer-term participation in the gold market but adds that the share-price performance is likely to be less exciting than it was in the second half of 1982.

Malcolm Taschereau, president of Dome Mines, says that ore deposit being mined at its Timmins area property in Ontario, where production began 60 years ago, should last

for another 50 to 70 years. Just a couple of weeks ago he announced that the company will spend \$82m to expand operations.

And last year, the company announced plans to spend \$150m to bring into production a gold prospect at Dorset Lake in far northern Ontario.

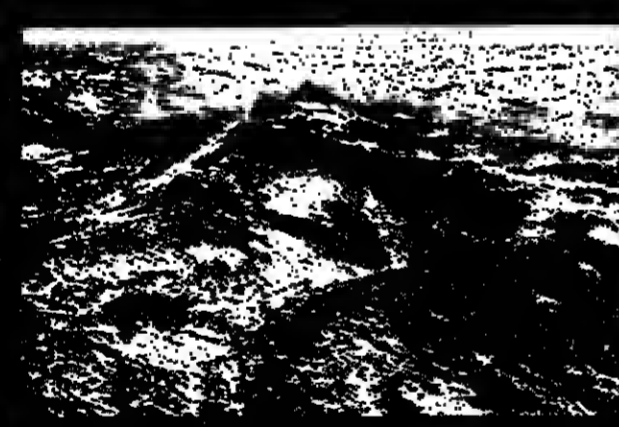
While the main excitement has centred around Hemlo, gold exploration is being carried out in many areas across Canada. There are at least a half dozen smaller gold plays in British Columbia and a mini-rush has developed in New Brunswick, mostly backed by relatively unknown junior companies.

Ontario's Natural Resources Minister, Alan Pope, is acting like a flamboyant promoter. He says a large stretch of land—several hundred miles long—running west of the Cobalt silver camp through the Sudbury nickel camp, the Elliot lake uranium camp and on to the iron-making area near Sault Ste. Marie could become a new gold exploration region.

He says provincial government geologists have been studying the region because they think portions of the rock structure have a strong resemblance to the best rock of South Africa's gold mines. This large tract, covering about 100,000 square miles, lies to the south of the Timmins, Kirkland Lake, Larder Lake and Hemlo districts.

James Scott

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Falling prices cast shadow over offshore plans

# Waiting for oil in Atlantic provinces



THE GOVERNMENTS and people of the Atlantic provinces have been waiting for a growing oil boom. The governments have had to wait for oil and gas off the coasts of Newfoundland and Nova Scotia.

The possibility of new-found wealth that 20th century oil in the Atlantic provinces has been waiting for a growing oil boom. The governments have had to wait for oil and gas off the coasts of Newfoundland and Nova Scotia.

having to pay about \$800,000 a day in debt service.

Newfoundland's U.S. gas transmission and distribution company has been waiting for a growing oil boom. The governments have had to wait for oil and gas off the coasts of Newfoundland and Nova Scotia.

likely to be the price U.S. buyers are willing to pay for the gas. Gas now accounts for only 9 per cent of total energy consumed in the north-east U.S. and with a fall in the price of competing fuels, Canada seems likely to have difficulty in maintaining its present \$4.94 a thousand cu ft border port price. Something closer to \$3.25 could be acceptable in the north-east.

The future of Hibernia oil, however, is much more problematical. There are three big hurdles: the oil price slide, the still-unresolved federal-provincial dispute over offshore jurisdiction, and the formidable technical challenge of producing oil in a storm-tossed and iceberg-infested area that has already claimed 84 lives and the world's largest offshore rig, the Ocean Ranger.

On the first point, the province carried out a computer analysis of the likely impact of lower world prices. Unofficially, sources suggest that, contrary to earlier oil industry suggestions that a price of at least \$40 a barrel would be needed to economically justify Hibernia production, the field could operate successfully at a price as low as \$22 a barrel.

**Assumption**

The frontier offshore reserves have always been regarded as high-cost sources of future production. The controversial National Energy Programme recognized this by assuming that output would be priced higher than existing Canadian oil and gas.

However, with the price fall already making much of the national programme irrelevant, this assumption may no longer be valid. Oil companies, governments and others with a vested interest in offshore production, insist that what they regard as a current aberration in world oil prices will not persist. The long-term price of offshore developments, but privately apprehensive about what may happen, Premier John Buchanan of Nova Scotia and spokesmen for the Newfoundland government have conceded that the royalties for offshore production may have to carry a lower "economic rent" at least initially.

Both provinces are extremely limited, however, in the extent to which they could make concessions on royalties. In anticipation of a petroleum-led surge of general economic activity, Nova Scotia has almost tripled its net direct debt over the past five years to nearly \$4bn and is

With government sacrifices, therefore, there is still leeway in justifying the \$600 Hibernia development even under today's lower world oil prices.

To overcome the second obstacle could be much more difficult. Optimism was raised briefly earlier this year that the dispute could be settled when talks between federal Energy Minister Jean Chretien and his provincial counterpart, William Marshall, seemed to be making progress.

However, the talks were abruptly terminated with Mr. Marshall contending that Mr. Trudeau, the Prime Minister, had intervened to scuttle them.

The breakdown preceded a ruling by the Provincial Supreme Court that Newfoundland's past failure to exercise sovereignty over the offshore fields had invalidated its pre-confederation claim of title.

The issue specifically confined to jurisdiction over the Hibernia

Field, is now before the Supreme Court of Canada. But this has not stopped hickering between the two governments, with the oil companies becoming pawns in a war of words carried out on the level of petulant children.

On the third point, that of producing oil among the bergs and storms of the Grand Banks, Mobil is increasingly confident it may have found an answer. Its latest production plan envisages the use of a number of huge, scallop-shaped, two-tier, concrete platforms resting on the sea bed, at a cost of about \$20m each.

These would be capable of deflecting the impact of icebergs weighing up to 12m tons.

While many problems still have to be resolved, the potential of offshore oil and gas production is creating a very definite mood of optimism. With as many as ten rigs operating off Nova Scotia this year, the impact on land-based industry is increasingly evident.

As many as 100 oil-related companies are now based at Burnside Industrial Park in Dartmouth, N.S., and the nature of the activity is now switching from marine service and support to oil related equipment manufacturing.

The exhilaration that talk of such projects injects into an otherwise, shaky economy is infectious. Real estate developers are falling over one another to cash in on an expected property boom. There are approvals, plans and projections for putting up about 1,500 sq ft of new office space in Halifax, an enormously optimistic figure given that last year less than 100,000 sq ft was taken up and annual absorption has not exceeded 300,000 sq ft since the mid-1970s.

All of which contrasts markedly with the rest of the region's fish and chip, resource-based economy. Both New Brunswick and Prince Edward Island have a huge glut of unsold potatoes. There has been talk of nationalization to overcome problems in the fishing industry, the region's forests have been ravaged by insects and the pulp and paper markets by recession.

Apart from two new potash mines in New Brunswick, the mining industry has rarely looked in poorer shape.

Fishing, however, is one of two areas of the regional

project. However, this will be completed at the end of 1984, and the second phase has been delayed indefinitely.

The province, assuming zero growth, would have about 4,000 Mw of power in surplus by then, and the government has given Canadian Reynolds Metals and Pechiney of France bail-out power for five years to induce them to go ahead with aluminium smelting investments worth nearly \$2bn.

Hydro Quebec has also signed to export more interruptible power to New York State and New England, the latter contract starting in 1986. The prices available will depend on world oil prices.

**Gain**

Most economists expect Quebec to achieve a modest 1 per cent growth this year, with all the gain coming in the second half. Firmer world demand and prices for resource products are vital. However, mining and metals, except for gold and silver, are unlikely to improve before 1984.

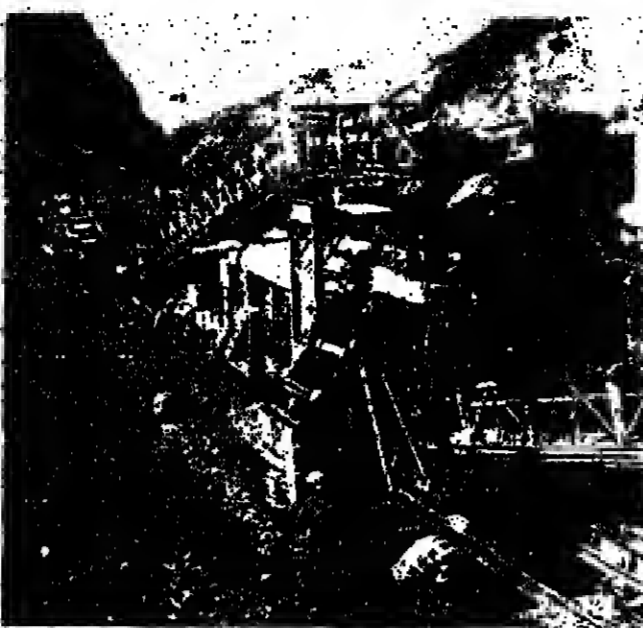
A slight improvement is evident in some consumer products industries, including textiles and furniture and car assembly, but the pulp and paper industry does not expect to return to sound operating rates until 1984. Aerospace may improve in the second half.

Both federal and provincial governments are helping electronics products, and sound development is possible after existing high inventory in some lines is worked off.

Montreal by year and will have only three of its six oil refineries operating because of the steep decline in demand for petroleum products. The petrochemical industry alongside has been hit by high feedstock costs, but it will survive.

**Robert Gibbens**

Hydro-Quebec has accounted for nearly 25 per cent of the total capital investment in Quebec for the past decade, with its \$15bn James Bay hydro



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## Quebec wrestles with \$3.25bn deficit



THE RECESSION has hit Quebec more dramatically than any other province, except perhaps British Columbia, and most of its manufacturing and resource industries have been operating at half-capacity.

The economy contracted by almost 7 per cent in real terms last year, and every part of Quebec society was staggered by the severity of the downturn, and the rise in the official jobless rate to a peak 15 per cent.

The worst is over, with the steep decline in interest rates in the past six months and signs of strong recovery in the U.S., the main market for the province's resource products such as metals, timber, and pulp and paper. Yet conflicting claims on a shrinking economy, high taxation, and the provincial government's continual confrontations with Ottawa, have brought tensions to near breaking point several times.

The Government of Premier Rene Levesque has had to deal with a budget deficit that threatened to run out of control. It has managed to wrestle the public sector unions into accepting a temporary wage freeze and limited increases for the next two years, and Mr. Jacques Parizeau, the Finance Minister, has contained the budget deficit for the year just ended March 31, at about \$3.25bn, still the largest of any province.

While the government is trying to support sparse new investment in the private sector and speed the growth of new

industries, it has not been able to resolve the conflict between these policies and its continuing commitment to independence.

Mr. Levesque himself says the next provincial election, in 1985 or 1986, will be held on the straight issue of sovereignty.

Quebec's last year of growth was 1979. The economy spluttered in 1980 and had a brief inflationary fling early in 1981. The crunch came in August 1981 when federal monetary and exchange rate policies forced the prime lending rate at the banks to almost 22 per cent.

The economy sank like a stone in the last half of 1981 and early in 1982, and the Levesque Government still at loggerheads with Mr. Trudeau in Ottawa over the constitution, changed tack and realised it was facing a financial crisis. The tax base was contracting dangerously while government spending was still going up, and the deficit threatened to get out of hand.

**Burden**

Ministers began stomping the province saying that average public-sector wages had reached levels 20 per cent above the private sector, and that the burden of 11,000 surplus teachers could no longer be carried by taxpayers.

The Government correctly gauged the public's concern with jobs and the economy, and its programme received surging support. The 800,000 workers represented by the public-sector unions had been instrumental in getting the Parti Quebecois elected in 1976 and re-elected after the unsuccessful 1980 referendum on independence, but the Government argued it had no choice but to ask them to renegotiate their contracts.

They refused, and Mr. Levesque then passed legisla-

tion restricting the right to strike and rolling back wages 20 per cent in the first three months of 1982.

The unions replied with the threat of a general strike, but the Government easily split them, negotiating settlements with hospital workers and civil servants, and isolating teachers, the most militant group.

The battle is not finally over, but Mr. Parizeau has saved about \$400m in 1982-83, holding his budget deficit to \$3.25bn and possibly allowing for some improvement next year.

A test of the government's policies will come later this spring. Three, and possibly four, by-elections are due in Montreal, Quebec City, the depressed north shore of the St. Lawrence and in the Lac St. Jean Region. The results may also show whether the population blames the provincial or the federal government most for the poor showing of the economy and high unemployment.

All four ridings have been held by First Quebecois members with good majorities, but Mr. Levesque has admitted that the government may be in trouble—it has lost all 13 by-elections since 1976.

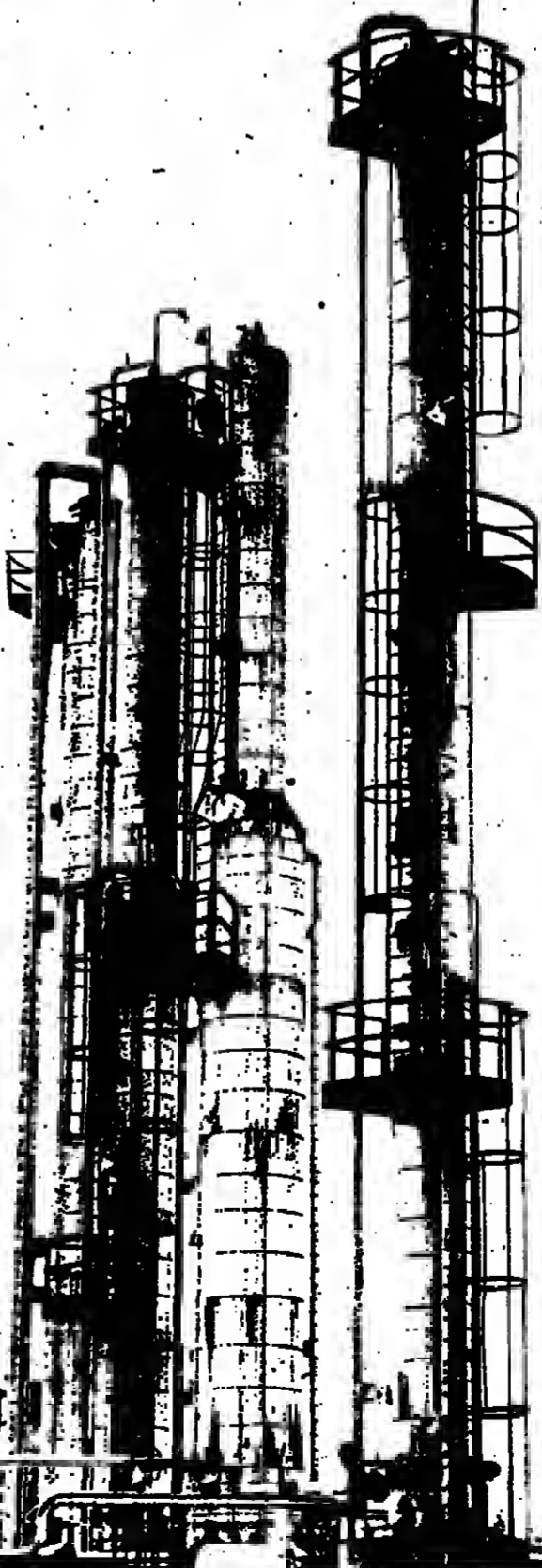
The opposition Quebec Liberals, led by Gerard Levesque (no relation) since the departure of Claude Ryan as chief following a caucus split on the constitutional issue, will be stressing local economic issues in these by-elections.

There are also increasing attacks on the rigidity of the government's language laws, making French the official language of Quebec, and the higher costs they impose on the economy.

Hydro-Quebec has accounted for nearly 25 per cent of the total capital investment in Quebec for the past decade, with its \$15bn James Bay hydro

Lyndon Watkins

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## CANADA VIII

Almost all the important resource industries are reeling from a disastrous year

## Western provinces in trouble



THERE ARE two sure signs that western Canada's once-booming economy is in trouble: the drop in the number of visiting businessmen who touch down in its provincial capitals and the number of Alberta licence plates on cars in eastern cities—a reflection of the exodus of young workers who can no longer find work in the oil fields and related industries.

Only six months ago, the resource-rich western provinces, Alberta in particular, were thought to be the engine for Canada's economic renewal. But the persistent world recession and plummeting international oil prices have shifted the focus for recovery to the manufacturing centres of Ontario, the potential beneficiaries of cheaper energy costs, and created a resentful wait-and-see attitude in the once-bubbling west.

Virtually every important resource activity in the west is reeling from a disastrous year, even at Hudson's Bay where the fur trade has slipped into the red for the first time in its 200-year history. The effects of the recession have shaken business confidence, provoked a series of political protests reminiscent of the depressed 1930s, and created staggering government deficits in provinces that had been pillars of well-managed economies.

Canada's forest industry, whose prosperity is essential for any recovery in British Columbia, is currently embroiled in a cross-border dispute with American lumbermen over the possibility of duties on Canadian exports. And prairie grain farmers, who had a record last harvest, are seeing net farm receipts down to levels of the mid-1950s because of low world prices and high production costs.

Nowhere is the prairie recession more apparent than in the oil and gas province of Alberta, where Premier Peter Lougheed recently pronounced the end of a "credit card society" and the beginning of a long period of readjustment after several years of remarkable boom.

In 1982, for the first time in nearly a decade of feverish expansion, there was no growth in real domestic product in Alberta. Unemployment has climbed to nearly the national average of 12 per cent and after years of self-financing and hefty surpluses, the province now finds itself on the international money markets seeking to borrow in excess of C\$1bn.

Last year, Alberta ran up a government deficit of nearly C\$2.4bn which was paid for out of accumulated surpluses. This year it is forecasting a total shortfall of about 2bn depending on the needs of some of its crown agencies.

The province still has nearly C\$13bn locked away in its heritage savings trust fund but it has cut by half the amount of resource revenues (Japanese steel interests) have already made cutbacks of between 20 and 25 per cent on earlier contracts.

British Columbia is the second leading mineral producing province after Ontario, but its mining industry slumped badly last year, when a healthy before-tax profit from 1981 turned into a major loss. Copper, gold and silver bore the brunt of the recession and coal production increased only modestly despite brave forecasts.

The recession has not been so harsh on the bread basket province of Saskatchewan, but it too is predicting a relatively modest budgetary shortfall of about C\$200m in the fiscal year, first time in 20 years it has posted a deficit.

The major reason for the deficit has been the brisk, three-year drop in potash sales, a result both of more farmers, particularly in the U.S. willing to forego the use of additional potash-based fertiliser in these cash-short times and the pricing policies of Eastern bloc competitors such as the USSR and East Germany.

The massive stockpiles of wheat and corn in mid-western U.S. bins this crop year will also hurt prairie farmers by tending to keep international prices down for the near term.

Saskatchewan's oil production, much more modest than Alberta but still the province's largest single source of revenue, has been on a roller coaster ride since 1981, enjoying brief spurts of unexpected interest in recent months.

In uranium industry, the third largest mineral resource after oil and potash, may also stabilise this year after a poor showing in 1982, Eldorado

fact that for the first time in decades the province's cyclical resource industries are all down together.

The first to recover may be British Columbia's lumber industry, which has broad economic significance in the province and is starting to rebound after nearly three years of decline. Some mills which had shut down have restarted and prices have risen slightly because of an upturn in U.S. housing starts.

The province is pushing ahead with a C\$3bn coal development in the north east corner despite some political controversy that the project has aroused. Older mines in the south have been closed because of the project and the contract buyers (Japanese steel interests) have already made cutbacks of between 20 and 25 per cent on earlier contracts.

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Nuclear closed its mine at Uranium City last summer, citing low world prices, but another mine at Key Lake is scheduled to come into operation later this year with most of its production already pre-sold.

Manitoba, the poor sister of the four western provinces, is still mired in recession and has seen its hopes dashed for a quick megaproject boost: both Alberta and Saskatchewan have kept postponing plans for a western hydro-electric grid with a huge power station based in northern Manitoba.

Still, because of a relatively diversified economy compared to other western provinces, Manitoba has been able to survive the slump better in some

ways. The province's service sector is improving and retail sales showed the best percentage increase in Canada in 1982. The trend is expected to continue this year, thanks to a return of young workers who had left in the mid-1970s for the boom provinces further west.

However, the unemployment rate is still high in Manitoba and the primary industries such as mining, pulp and paper, and agriculture are troubled with labour and structural problems. Net cash receipts for grain, a lynchpin of the Manitoba economy, are projected to decline by about 8 per cent this year and the lack of farm prosperity has led to lay-offs and closures in related businesses.

Robert Sheppard



Open pit coal mining in south-eastern British Columbia. Coal production increased only modestly last year despite brave forecasts.

jobs were lost in a depressed mining industry and 58,000 in manufacturing.

The small, but important job creation efforts are a prime example of the Davis Government's pragmatic political approach which has kept the Tories in power. Being its best deal for a province which still has the largest part of Canada's population—35 per cent.

Best deal

His aim has always been to keep the federal government on his side, and in turn get the best deal for a province which still has the largest part of Canada's population—35 per cent.

Ontario's accommodation with Ottawa, however, has not always proved in the province's best interest. In the mid-1970s for the federal policy of keeping Canada's domestic oil prices below world levels, would have served its manufacturing base well if other costs had also been kept under control. In the early 1970s, oil prices have had to rise, but at a time when the rest of the world, having taken its punishment earlier, is taking advantage of falling prices. Also, the cancellation of the big synthetic oil project in Alberta's hinterland Ontario's manufacturers. Steelmakers, for example, have been deprived of upwards of C\$8bn of work.

Even so, the recession last year hit Ontario slightly less than Canada as a whole. Its output fell by about 4 per cent, less than the rest of the country, and unemployment at 11.2 per cent is less than the national average. Its better than average performance was due in part to a strong performance by the service sector—where there was a net increase in employment—and a better than expected output from the automotive industry.

The cancellation by Chrysler of a C\$300m diesel engine plant in Windsor, which the provincial government was to help to finance, has come as a blow, but the motor industry, which accounts for 35 per cent of manufacturing exports—is continuing to invest substantially.

Some economists believe that Ontario could pick up faster than the rest of Canada. Normally, 78 per cent of its exports go to the U.S. and the recovery across the border is already having an impact on some Ontario industries, especially those related to the motor industry, but the Conference Board of Canada is predicting real growth in 1983 of only 1.1 per cent.

Nicholas Hirst

The provincial government's strategy is to revitalise manufacturing

## Ontario looks to technology



A PRAGMATIC middle-of-the-road Progressive Conservative Government has ruled Ontario for the past 40 years. While in federal politics Ontario has been the battleground on which elections have been won or lost, the provincial Tories' finely tuned balancing act with Ottawa and its careful nurturing of the country's largest manufacturing base has left Ontarians generally satisfied.

A general decline in Ontario's relative economic performance compared with the rest of Canada in recent years has not served to detract from a general feeling of prosperity.

Toronto, Ontario's capital city, with its gleaming office blocks has outstripped Montreal as Canada's premier city and established itself firmly as the country's commercial and financial centre.

The problem for the Ontario

Government, led for the past 11 years, by the rather bland, but highly competent premier, Mr. William Davis, is to revitalise the mature manufacturing industry which accounts for almost half the province's output.

Mr. Davis's strategy is to encourage a growing high-tech industry, the use of industrial robots in the traditional manufacturing industries, and an increase in the manufacture of goods now imported into the province.

On the success of this strategy will depend Ontario's economic importance, and consequently its political weight within the Canadian confederation.

Since the confederation was established in 1867 Ontario has been the pivotal mainstay of Canadian economic and political life. High import tariffs in Canada's earlier years were used as a device to encourage the inflow of foreign capital to establish industries in Ontario and, to a lesser extent, in Quebec. The consequence has been the growth of large branch plant industries, largely owned by Americans, and subject to foreign control.

Lower tariff barriers under the GATT rules and increased competition in heavy manufac-

turing from Third World countries has hit at the base of Ontario's economy. Ontario's share of world trade declined from 4 per cent in 1970 to 2.5 per cent in 1981.

Also, as oil prices rose, economic growth within Canada shifted to the West. In 1970, Ontario had the highest per capita income in the country, now Alberta ranks as number one and Ontario has dropped to fifth place. While Canada overall has maintained a trade surplus, Ontario in 1981 had a deficit of C\$3.9bn.

The Ontario Government's vehicle for revitalising the economy is known by its acronym BILD, the Board of Industrial Leadership and Development. Set up in 1981, the board, which is composed of seven provincial Cabinet members, has C\$1.5bn to spend over five years.

## Innovation

Under the BILD programme five technology centres have set up in the province at a cost of C\$100m to co-operate with industry in providing research and information on new developments to aid productivity and speed new technological innovation and design.

The intention is to aid the infant but successful microelectronics industry in the Ottawa valley and to advise industry generally on computer-aided design and manufacturing.

Mr. Gordon Walker, Minister for Industry and Trade, forecasts that in five years the Ontario micro-electronics industry will employ 100,000 people, against 15,000 today. However, success in building a micro-electronics industry is not a prerequisite for revitalising the manufacturing sector as a whole.

Ontario has moved to help small businesses in all sectors by removing its corporate income tax and through seminars and its overseas trade offices is encouraging them to export. A BILD programme is having some success in building up a food processing industry, to cut back on the C\$2.5bn of imports that came into the province in 1981.

The Davis government has also used BILD money to create about 40,000 temporary jobs to alleviate unemployment. The recession last year hit Ontario unevenly. A disastrous worldwide nickel market forced the Sudbury mines to close giving the town the unenviable title of the unemployment capital of Canada. Some 16,000

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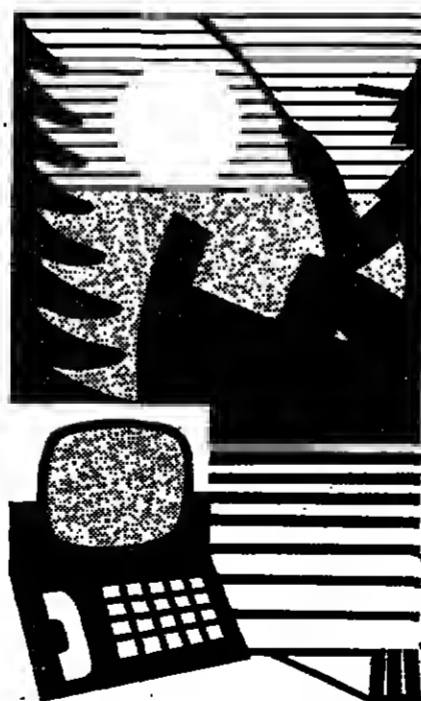
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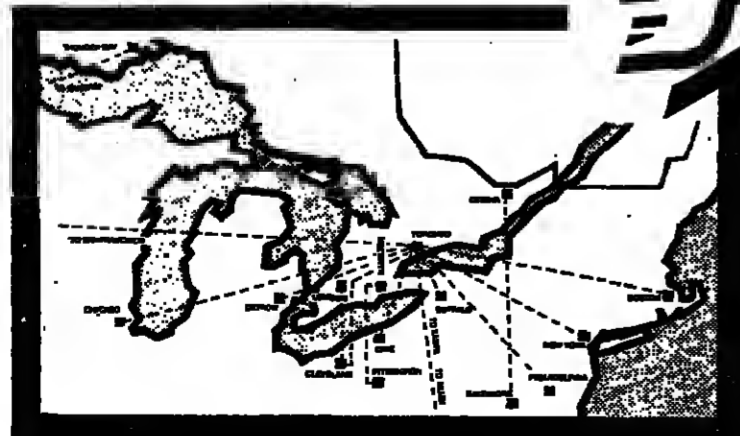
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